

# Mature Workers in Alberta and British Columbia:

## Understanding the Issues and Opportunities



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A Discussion Document

August 2007

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Alberta

## Purpose

This discussion paper is intended to assist the Governments of Alberta and British Columbia, and their partners, in responding to the issue of labour and skill shortages.<sup>1</sup> Alberta and British Columbia are both facing labour supply challenges that, with our aging population, are expected to intensify in the coming years. At the same time, perceptions and expectations of retirement are changing. This document provides background information on mature workers in Alberta and British Columbia and actions employers and governments can consider for increasing opportunities for mature workers to participate in the workforce.

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For additional copies of this discussion document, please call Employment, Immigration and Industry at (780) 644-4306 or download it from [www.employment.alberta.ca](http://www.employment.alberta.ca).

<sup>1</sup> In 2004, Alberta and British Columbia signed a Memorandum of Understanding to collaborate on employment and training and other initiatives. This was followed by the two provinces signing the British Columbia-Alberta Trade, Investment and Labour Mobility Agreement (TILMA) in April 2006. These agreements are leading to collaboration in many areas related to trade, investment and labour mobility.

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# Executive Summary

## Challenges and Opportunities

Declining birth rates and increasing life expectancy are driving a demographic shift towards an older population across the developed world. This is leading to an aging workforce and increasing numbers of people who may potentially retire and leave the labour market, with profound consequences for economic growth. In Alberta and British Columbia, rapidly expanding economies in both provinces mean many organizations are already facing challenges meeting their human resource needs. At the same time, perceptions of retirement are changing, with many mature<sup>2</sup> workers showing an interest in having options to remain active in the labour force, even after they have formally "retired."

## Labour Force Impacts

The aging population has already had an impact on Alberta's and B.C.'s labour forces.<sup>3</sup> In Alberta, the number of mature workers in the labour force grew by over two-thirds, nearly 67 per cent, between 1996 and 2006. Mature workers currently account for over one-third of Alberta's labour force (36 per cent in 2006).<sup>4</sup> In B.C., the number of mature workers in the labour force grew by nearly 50 per cent over the same 10-year period, and mature workers currently account for almost 39 per cent of the province's labour force.<sup>5</sup>

## Encouraging Increased Labour Force Engagement of Mature Workers

Increasing the labour force engagement of mature workers is an important part of a balanced strategy to

help address current and potential future labour market challenges and issues in Alberta and B.C.<sup>6</sup> Numerous factors influence the work decisions of individuals as they get older, including:

**Personal Reasons** - For many mature individuals, work provides valued opportunities to stay active, continue to learn and have new experiences. For others, especially for those from low-income households, work is a necessity for financial reasons. On the other hand, personal reasons, such as poor health or family responsibilities, can lead mature workers to reduce their involvement or withdraw from the labour force altogether.

**Employment Practices** - Some mature workers have retirement imposed upon them at a certain age by law or under the terms of collective agreements, or they are simply not encouraged by their employers to continue to work. Many mature workers would welcome opportunities to keep working, perhaps not on a full-time basis, but under another arrangement. Alternative work opportunities can take a variety of forms, including part-time or contract work, flexible work schedules, telecommuting, extended vacations or sabbaticals.

**Knowledge and skills** - Having up-to-date knowledge and skills are key to the employability of all workers. However, training opportunities in many organizations continue to focus on younger employees, despite the fact that research shows that "the opportunity to learn something new" is something mature workers seek and need in a job.<sup>7</sup>

**Financial Influences** - Pension and tax considerations are often central to the work-retirement decisions of mature workers. For many mature workers, the preferred route to retirement is to gradually decrease time spent at work. However, the design of many pension plans, certain regulations under the *Income Tax Act*, and

<sup>2</sup> Unless otherwise stated, the terms "mature" and "older" workers in this document will refer to people in the labour market aged 45 and older.

<sup>3</sup> Statistics Canada defines the labour force as "Number of civilian, non-institutionalized persons 15 years of age and over who, during the reference week, were employed or unemployed." *Statistics Canada, Guide to the Labour Force Survey 2006* (Catalogue no. "T-543-G1"), February 2006.

<sup>4</sup> Statistics Canada, *Labour Force Historical Survey, 2006*.

<sup>5</sup> Ibid.

<sup>6</sup> For further information on strategies to address current and potential future labour market challenges and issues, please refer to *Building and Educating Tomorrow's Workforce: Alberta's 10 Year Strategy*, by Alberta Employment, Immigration and Industry, July 2006, as well as *A Human Resource Strategy for British Columbia*, by the Ministry of Labour and Citizens' Services, May 2004.

<sup>7</sup> *Setting Ahead of the Curve: The AARP Work and Career Study* American Association of Retired Persons (AARP) 2002.



Canada Pension Plan (CPP) policies discourage phased retirement in Canada. Many pension plans are structured in such a way that they provide limited or no incentive for employees to keep working past the plan's normal retirement age.

## What Employers Are Doing

It is the actions of individual employers that will have the greatest effect on the participation of mature workers in Alberta and B.C.'s labour markets. Employers—including those who contributed to the development of this paper—are starting to recognize the value of mature workers and are identifying innovative strategies to attract and hold on to these workers. Initiatives being undertaken by employers in Alberta and B.C., as well as elsewhere in Canada and around the world, include:<sup>9</sup>

- Targeting recruitment efforts at mature workers and keeping in touch with recently retired employees;
- Offering flexible work arrangements, like telecommuting opportunities, part-time or contract work, or modified work weeks or work duties;
- Offering mature workers opportunities to mentor younger workers;
- Offering financial incentives; and
- Fostering a workplace culture that is accepting of age diversity and respectful of the needs of mature workers, including reducing the physical demands of jobs

## What Governments Are Doing

Governments throughout Western Europe, the United States, and other parts of the world are also taking steps to address the labour force impacts of an aging workforce. Examples include:

- Reducing incentives to early retirement inherent in public and private pension plans;
- Increasing incentives for later retirement (e.g. increasing public pension adjustments and reducing tax rates on earned income for individuals receiving public pensions);

- Leading by example and offering more flexible work arrangements;
- Offering employment and training programs for older workers; and
- Enacting or strengthening age discrimination legislation.

In Canada, the federal government recently announced rules to better accommodate phased retirement, and several provinces have introduced various initiatives to examine and respond to issues associated with aging populations. More needs to be done, particularly around informing individuals, employers, industry and labour associations about workforce aging issues and the initiatives being taken to address the issues.

## Next Steps

The idea of giving people a wider range of choices sounds positive. However, considerable discussion and research will be needed to understand all the social and economic impacts of an aging workforce and changes to the amount of time individuals spend at work over the course of their lifetime. Policy changes in the areas of pensions, employment and retirement can have huge implications in unexpected areas. There is a need to ensure not only that individuals can remain in the workforce for longer periods of time, but also that those needing earlier retirement still have the choice and protection they need.

We now need to look to the future, and to respond to the question of how government, employers and labour organizations can best prepare to meet the needs of mature workers in order to maximize social and economic growth.

# 1. The Facts - Shifting Demographics

## 1.1 Challenges and Opportunities

Declining birth rates and increasing life expectancy are driving a demographic shift towards an older population across the developed world. This is leading to an aging workforce and increasing numbers of people who may potentially retire and leave the labour market. In Alberta and British Columbia, booming economies in both provinces mean many organizations are already facing challenges with meeting their human resource needs. A potential mass exodus of mature workers from the workforce would have profound consequences for continued economic growth. While increased immigration and greater productivity growth will provide some relief, addressing the issue by attracting and retaining older workers will become increasingly important on the corporate agenda as employers realize they represent a large, available and skilled supply of workers.

For many individuals, leaving the workforce at or before age 65 means they have twenty years or more of retirement ahead of them. This has both financial and lifestyle implications. Some people have concerns about whether they will have sufficient financial resources to see them through their retirement years, while others worry that leaving work will create an undesirable gap in their lives. With today's generation of older workers being healthier and more highly educated than previous generations, many will want and be able to extend their involvement in the workforce. People are no longer seeing retirement as the end of their working lives, but rather a career and lifestyle transition that may extend over a number of years. Seeking ways to increase opportunities for them to contribute in the labour market offers tremendous potential benefit to individuals, employers, the economy and society.

However, there are challenges in increasing the opportunities for mature workers to participate in

the workforce. These include past and current labour force policies that have, for the most part, focused on lowering unemployment levels and increasing time spent in retirement, as well as "freedom fifty" advertisements prompting early retirement from financial and insurance companies. Perhaps most significantly, they also include

the often negative employer attitudes towards recruitment and retention of mature workers.

The demographic shift to an older population and workforce means that fundamental change is ahead. Indeed, it has already started. Our aging population provides challenges, but also opportunities. Government, employers and labour must work together to research and develop new policies that can work with the demographic shift to bring both social and economic benefits.

**Those looking at the evolution of our society expect that the wave of retirements that the baby boom generation is about to unleash will trigger some key institutional and cultural changes**

New Frontiers of Research on Retirement,  
Statistics Canada, 2006

## 1.2 Definition of "Mature" Worker

There are many different definitions for "mature" or "older" workers, which often reflect different policies and priorities across organizations and even countries. The *U.S. Age and Discrimination in Employment Act* applies to workers who are 40 years of age or more, the Organization of Economic Cooperation and Development (OECD) defines older workers as aged 50 and over, and access to public pension plan benefits in many countries is usually considered at age 65.

While "retirement" typically occurs between the ages of 60 and 65, workers are considered to be in the "mature" phase of their careers much sooner than this. While many individuals in their 40's feel they are in the prime of their careers, this is also the time when many workers start to seriously assess their employment and retirement options and opportunities. And, workers in their 40's and older may start to feel marginalized in terms of their employment opportunities compared to younger workers.

For the purposes of this discussion document, unless otherwise stated, the terms "mature" and "older" workers will refer to people in the labour market aged 45 and over.<sup>10</sup>

### 1.3 Magnitude of the Demographic Shift

Over the next two decades, the rate of growth in the ratio of individuals aged 65 years or older to the traditional working age population (aged 15 to 64) is expected to be more pronounced in Canada than in many other countries.<sup>11</sup> It is estimated that by 2026 there will be 7.8 million Canadians over the age of 65, compared to just half that number—3.9 million—in 2000.<sup>11</sup>

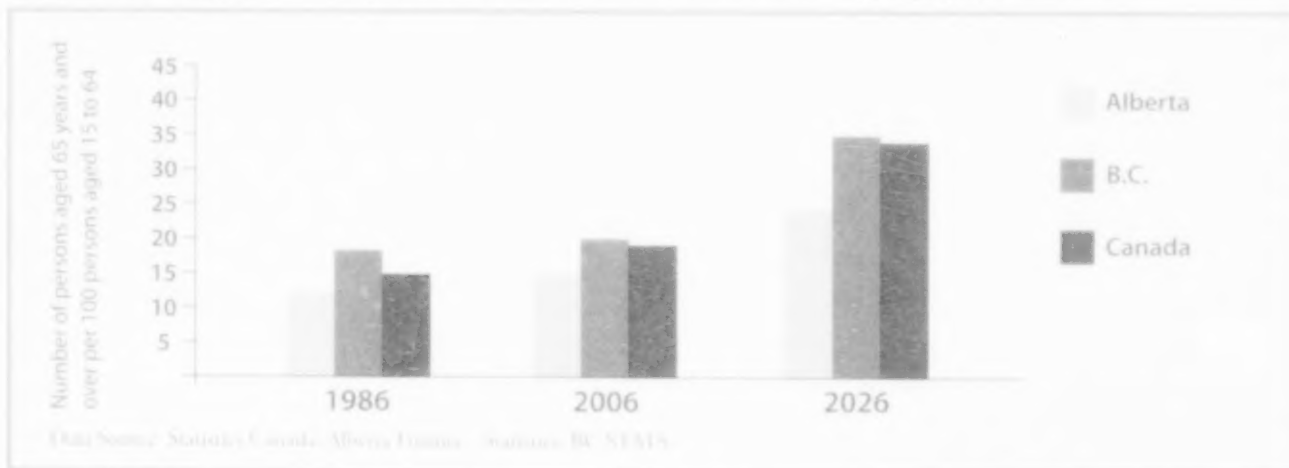
Although young relative to the rest of Canada and many other developed countries, Alberta's population will also experience significant aging in the decades to come. In 2006 there is estimated to be just over 350,000 Albertans 65 and over. By 2026, this number is expected to more than double to over 740,000. During the same 20 year period, the number of Albertans of traditional working age (15 - 64 years of age) will only grow by about 30 per cent, from 2.4 million to 3.1 million. As Figure 1.1 shows, by 2026, it is projected that there will be approximately 24 Albertans aged 65 and over for every



100 Albertans of working age, compared to 15 in 2006 and 12 in 1986.

Population aging is even more pronounced in B.C. While the population 65 years and over is expected to nearly double, from 600,000 in 2006 to 1.2 million in 2026, over that same time period the number of working age British Columbians will only grow by about 14 per cent, from 3.0 million to 3.45 million. By 2026, it is expected that there will be about 35 British Columbians aged 65 and over for every 100 British Columbians of working age, compared to just 20 in 2006 and 18 in 1976.

**Figure 1.1** Population aged 65 and over relative to working age population



<sup>10</sup> "Defining 'mature' — Baby workers at about age 45 and over will also often work mature workers currently reported by the Government of Alberta and British Columbia and your own research conducted by Human Resources and Soc. Dev. (Development Canada) (H.D.C.).

<sup>11</sup> (1) Department of Finance Canada, *The Budget (2001, 2005, 2006)*; (2) *The Budget (2005)*; (3) *Government of Canada* (2005).

<sup>12</sup> (1) *Ontario, Senior Citizens' and Building Assets and Community*; (2) *PEI's Senior's Year Book: Addressing the Needs of a Growing Senior Population* (2006).





## 1.4 Labour Force Impacts

The aging population has already had an impact on Alberta's and B.C.'s labour forces.<sup>12</sup> In Alberta, the number of mature workers in the labour force grew by over two-thirds, nearly 67 per cent, between 1996 and 2006. Mature workers currently account for over one-third of Alberta's labour force (36 per cent in 2006).<sup>13</sup> In B.C., the number of mature workers in the labour force grew by nearly 50 per cent over the same 10-year period, and mature workers currently account for almost 39 per cent of the province's labour force.<sup>14</sup>

The large number of mature workers means there will potentially be significant numbers of workers retiring in the near future. The first wave of the baby boom generation, the generation born between 1946 and 1965, turned 60 in 2006. This translates to a potential exodus of a large proportion of this generation from Alberta's and B.C.'s workforces over a relatively short

period of time. If this happens, forecasts predict a sharp decrease in the supply of labour in these two provinces and increased labour shortages. This would also result in a significant loss of skills, experience and knowledge.

Over the next ten years, more than 140,000 workers are expected to retire in Alberta, while in B.C., the provincial government is expecting retirements to lead to approximately 500,000 job openings over the next 12 years.<sup>15</sup>

Because of the decline in birth rate following the baby boom generation, there will be fewer younger workers entering the labour force to replace these workers. In Alberta, forecasts indicate that in the next 10 years 400,000 new jobs will be created. However, the forecast net increase in the number of workers will only be 291,000, leaving a shortfall of 109,000 workers.<sup>16</sup> The B.C. government estimates a shortfall of about 511,000 workers between now and 2018.<sup>17</sup>

12. Statistics Canada, *Labour Force Statistics*, "Number of mature workers in the labour force," 2006.

13. Statistics Canada, *Labour Force Statistics*, "Number of mature workers in the labour force," 2006.

14. Statistics Canada, *Labour Force Statistics*, 2006.

15. Ibid.

16. Alberta's Labour Force Outlook, 2006, based on the assumptions that the number of workers in the labour force will increase by 291,000 over the next 10 years, and that the number of job openings will increase by 400,000 over the same period. The number of job openings is based on the assumption that the number of job openings will increase by 400,000 over the next 10 years. The number of job openings is based on the assumption that the number of job openings will increase by 400,000 over the next 10 years. The number of job openings is based on the assumption that the number of job openings will increase by 400,000 over the next 10 years.

17. British Columbia Labour Force Outlook, 2006, based on the assumptions that the number of workers in the labour force will increase by 291,000 over the next 10 years, and that the number of job openings will increase by 500,000 over the same period.

## 1.5 Labour Market Trends Related to Mature Workers

To encourage increased labour force participation by mature workers, it is important to understand the current labour force trends related to this demographic group.

### 1.5.1 Average Age of Retirement

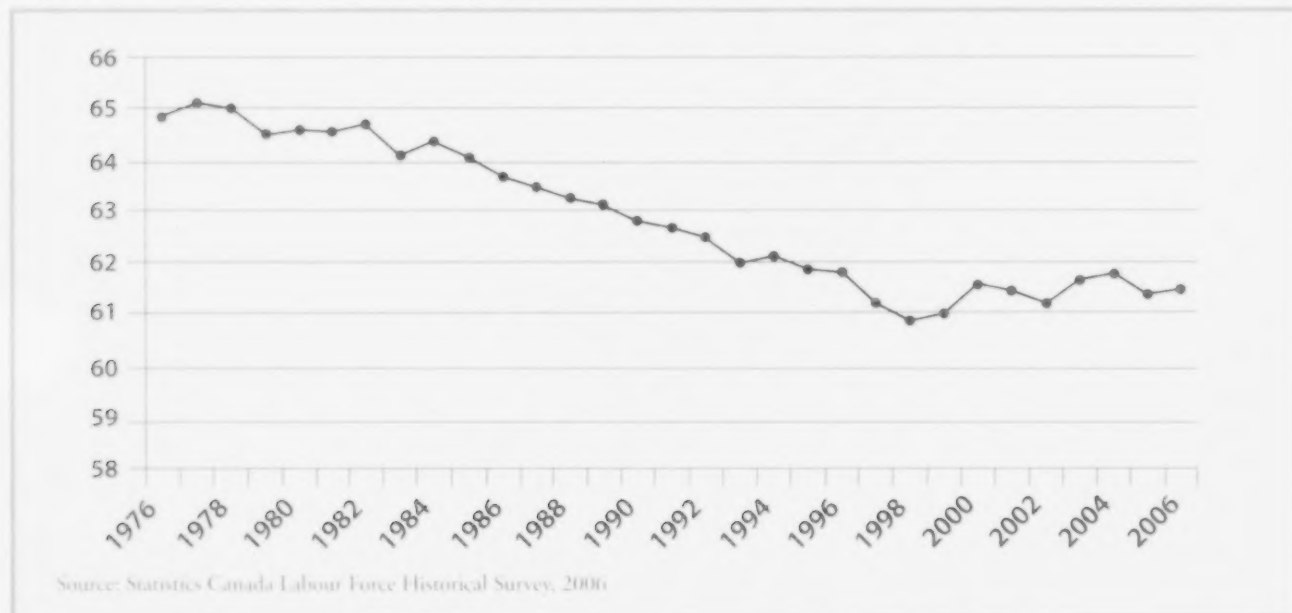
Canadians are generally living longer and healthier lives, and at the same time retiring earlier than they did 30 years ago. As a result, Canadians are generally spending an increasing number of years in retirement. Figure 1.2 shows that the average retirement age in Canada dropped from almost 65 in 1976 to just below 61 in 1998. However, the decline appears to have halted recently, with the average age of retirement holding at between 61 and 62 since 1999. This is consistent with retirement trends in the United States and European Union countries.<sup>18</sup> It is not known, however, whether this is a pause in the longer-term trend towards early retirement,

or a more permanent change in the retirement behaviour of mature workers.

Survey information from Statistics Canada indicates many Canadians have a preference to retire before age 65. This suggests that “a culture of early retirement” is prevalent in Canada.<sup>19</sup> Longstanding social norms, arising out of both public and private policies, have convinced us that retirement at age 65 (and often much younger) is the norm. However, the current concept of early retirement has more to do with public and labour policies and with messages given by financial companies than it does with capacity and willingness to continue working.

Alberta's average age of retirement was 63.9 in 2006, well above the national average and significantly higher than Alberta's previous average of just 63 in 2005.<sup>20</sup> The jump in Alberta's average age of retirement in 2006 reverses a downward trend in recent years from 63.7 between 1996 and 2000, to 63.5 in 2003, 63.3 in 2004, and 63 in 2005.<sup>21</sup>

Figure 1.2 The Canadian Average Age of Retirement



18 AARP Public Policy Institute, *Rethinking the Role of Mature Workers: Promoting Mature Worker Employment in Europe and Japan*, 2005.

19 Statistics Canada, *The retirement plans and expectations of non-retired Canadians aged 45 to 59*, (Catalogue No. 11F0019MIE), June 2004.

20 Alberta Employment, Immigration and Industry, *Annual Alberta Labour Market Review*, March 2006.

21 Comparable data on the average age of retirement is not available for British Columbia.

### 1.5.2 Changing Perceptions About Retirement and Work

The concept of retirement is changing. Increasingly, retirement is not being viewed as a sudden departure from the workforce, but rather as a career and lifestyle transition that may extend over a number of years.

Compared to previous generations, today's mature workers can look forward to more years of good health. This, in addition to the trend toward more knowledge-based and less physically demanding work, will allow more mature workers to remain active in the labour market if they so choose. The need for more retirement savings to support themselves over a longer retirement period will also influence the retirement decisions of older workers.

Research is finding that many Canadians desire—or need—to continue working in some capacity after retirement. For example, a recent Bank of Montreal survey found that a majority of pre-retirees plan to work in retirement. The top reasons given are to stay active, to keep in touch with people, and to earn money.<sup>22</sup>

In 2005, HSBC, a multi-national banking and service organization, surveyed over 21,000 individuals and 6,000

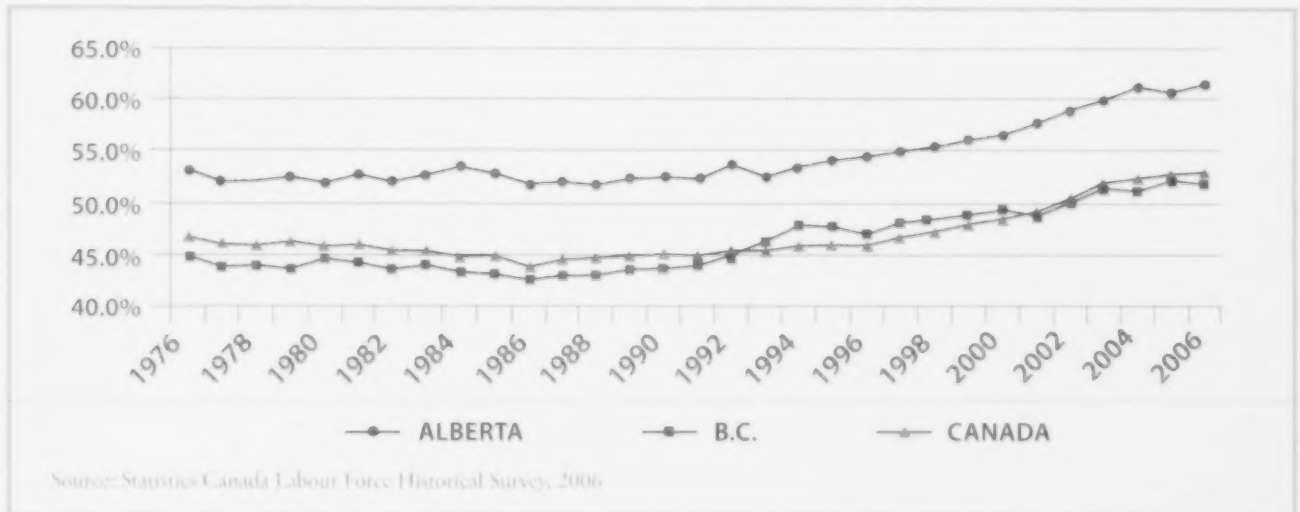
employers in 20 countries and territories to capture global attitudes towards aging and retirement. The study, entitled *The Future of Retirement*, found a significant proportion of individuals would like to continue to work as they get older.<sup>23, 24</sup> Only 20 per cent indicated they would prefer to never work for pay again. The findings from a Statistics Canada survey of recent retirees<sup>25</sup> are consistent with these findings: a high proportion of respondents (60 per cent) indicated they would have preferred to continue working.

The idea of retirement as a transition makes it difficult to define and measure for the purposes of developing policy approaches. However, it is clear that policy approaches based on a linear life plan of distinct years for education, work, and leisure are becoming obsolete. Instead, approaches need to respond to the reality that education, work, and leisure co-exist in different proportions throughout life.<sup>26</sup>

### 1.5.3 Increasing Labour Force Participation

As shown in Figure 1.3, labour force participation rates for individuals 45 years and older in Alberta, British Columbia and across Canada have risen from mid-1990 levels.

Figure 1.3 Labour Force Participation Rates for Individuals 45 Years and Older



22. BMO Financial Group, *The BMO Retirement Trends Study* (Ottawa, December 2005).

23. HSBC Holdings, *The Future of Retirement: What People Want* (2005).

24. A majority of respondents (60 per cent) indicated that their ideal plan would be to continue with "flexible working," and a further 9 per cent indicated they would prefer to continue working full-time.

25. Grant Schellenberg and Cynthia Silver, *You can't always get what you want: Retirement preferences and experiences*, Statistics Canada (Catalogue No. 11-008), Winter 2004.

26. The Conference Board, *Managing the Mature Workforce* (July 2005).



At 61.3 per cent in 2006, Alberta's participation rate was well above B.C.'s rate of 51.7 per cent and the national average participation rate of 52.9 per cent.

Mature workers are not a homogeneous group. They face different challenges and opportunities in the labour market. Some have worked throughout their careers in physically demanding jobs and are not able to continue working at the same jobs in later years. This, however, does not mean that they cannot contribute in the workforce. Some individuals are able to transition successfully to related jobs that are less physically strenuous. As examples, a construction worker may take additional training to move into safety codes enforcement, or a nurse may move into a mentoring or teaching role. Furthermore, the application of new

technologies in many sectors, including manufacturing and construction, has reduced the physical demands of some jobs, making them more suitable for mature workers.

Work-related stress can also play a role in an older worker's decision to continue participating in the labour force. As will be discussed later, there are actions that employers can take to make jobs less stressful for all workers, not only mature workers.

#### 1.5.4 Multi-generational Workplaces

Mature workers across Canada are increasingly finding themselves working in multi-generational workplaces. There are four generations currently engaged in the labour force:

- **Traditionalists** - Those approximately 60 years of age or older, representing six per cent of both Alberta and B.C.'s workforces.
- **Baby Boomers** - Approximately aged 40-59, representing 42 per cent of Alberta's workforce and 46 per cent of B.C.'s workforce.
- **Generation X** - Aged approximately 25-39, representing 34 per cent of Alberta's workforce and 31 per cent of B.C.'s workforce.
- **Generation Y** - Under 25 years of age, representing 18 per cent of Alberta's workforce and 17 per cent of B.C.'s workforce.<sup>27</sup>

Each of these generations brings its own set of values, preferences and work attitudes to the workplace. Increasing the involvement of mature workers in the workforce, particularly those over the age of 60, will

**Table 1.1 Unemployment Rates in 2006 for Mature Workers**

Jurisdiction	Unemployment rate for workers age 45 + (%)	Unemployment rate for workers age 15 + (%)
Alberta	2.5	3.4
British Columbia	3.9	4.8
Canada	4.8	6.3

Source: Statistics Canada Labour Force Historical Survey, 2006

increase the generational diversity in many workplaces. This will require employers to pay closer attention to fostering positive working relationships among different generations. It also means employers will need to be responsive to the differing needs and expectations of the various generations. This includes making changes at the workplace to ensure mature workers have the skills and working conditions they need to remain employed into their later years.

### **1.5.5 Unemployment Among Mature Workers**

Mature workers in Alberta and B.C. experience lower levels of unemployment than the general workforce. Table 1.1 (on page 8) compares the unemployment rates for mature workers in Alberta, B.C. and Canada.

Although mature workers tend to experience lower than average unemployment rates, evidence shows that if they do become unemployed, they have a harder time integrating back into the workforce. The reasons for this are complex and may be related to employer misperceptions about older workers.

### **1.5.6 Rising Education Levels**

There have been considerable changes in the levels of education of older Canadians over the past 20 years. Thanks to the expansion of the education system in the 60's and 70's, there are fewer older workers with less than high school, and more who have a post-secondary certificate or diploma, or a university degree. Higher education levels are associated with higher levels of mature worker labour force participation.

### **1.5.7 Older Workers by Industry**

Development of effective strategies for attracting and retaining mature workers in Alberta and B.C. requires an understanding of which industries mature workers are currently working in, as well as which industries have a higher proportion of employed older workers as a share of their total workforce. These two sets of data are not necessarily the same. For example, should an industry have a large workforce, even if a large number of mature workers are employed in that industry they may ultimately comprise a small percentage of that industry's total workforce. Conversely, the opposite is also true.





Looking at the industries in which mature workers 55 and over are currently employed, not surprisingly nearly three-quarters are employed in service sector industries. The industries employing the greatest number of old workers in Alberta and B.C. are Health Care and Social Assistance; Retail Trade; Professional, Scientific and Technical Services; and Educational Services.

Industries in both Alberta and B.C. with a disproportionately high proportion of employed older workers, as compared to the proportion of employed older

workers in the economy as a whole, include Agriculture; Real Estate and Leasing; Transportation and Warehousing; Health Care and Social Assistance; Educational Services; and Professional, Scientific, and Technical Services.

Recognizing these variations is important because both industries in which more older workers are employed, and those with a higher proportion of employed older workers, risk of facing the challenges and opportunities that an older workforce poses sooner than others.

## Figure 1.4 A Snapshot: Mature Workers in Alberta and British Columbia<sup>28</sup>

### POPULATION

In 2006, the population (15 years and over)<sup>29</sup> for Alberta stood at 2,641,300, with older people (45 years and over) making up 43.4 per cent of the population (1,145,300). The population of British Columbia stood at 3,511,000, with older people making up 49.2 per cent of the working-age population (1,729,000). Alberta has the lowest proportion of older people in its population in Canada.

### DEMOGRAPHIC TRENDS

A falling birth rate, longer life expectancy and the effects of the baby boom generation are among the factors contributing to the aging Alberta and B.C. populations. The aging of the population will accelerate over the next two decades, particularly as baby boomers begin turning 65.

### LABOUR FORCE PARTICIPATION

The growing number of older people, combined with their increasing likelihood of staying in the labour force, has meant a steady increase in their contribution to the labour force. Older workers currently account for over one-third of Alberta's labour force, and have the highest participation rate of older workers in Canada at 61.3 per cent. In British Columbia, older workers currently account for nearly 39 per cent of the province's total labour force, and a participation rate of 51.7 per cent. The national average for the participation rate of older workers is 52.9 per cent.

### UNEMPLOYMENT

Older workers in Alberta and British Columbia have unemployment rates that are lower than the provincial rates.

However, when they are unemployed, older workers tend to be unemployed for longer lengths of time than younger workers. In 2006, the unemployment rate among older workers (age 45-64) in Alberta was only 2.5 per cent, compared to 3.4 per cent in the general workforce. The unemployment rate among older workers in British Columbia was 3.8 per cent, compared to 4.8 per cent in the general workforce.

### EDUCATION

Older workers increasingly have the education and skills employers want. This trend is a reflection of the expansion of the post secondary system in the 1960s, which allowed young people more opportunities to obtain post secondary credentials than in previous generations. The significance of the growing number of older people with higher education is that they are more likely to stay in the labour force and find a job if they become unemployed.

### INDUSTRY

A higher proportion of older workers in Alberta and British Columbia are employed in the Services-producing sector than in the Goods-producing sector.<sup>30</sup> The industries employing the greatest number of older workers in both provinces are Health Care and Social Assistance; Retail Trade; Professional, Scientific, and Technical Services; and Educational Services. Older workers account for a disproportionately high proportion of the workforce in Agriculture; Real Estate and Leasing; Transportation and Warehousing; Health Care and Social Assistance; Educational Services; and the Professional, Scientific, and Technical Services.

<sup>28</sup> Statistics Canada, *Labour Force Historical Survey*, 2006.

<sup>29</sup> Population refers to all persons aged 15 years and over residing in the provinces of Canada, with some exceptions. It includes individuals both inside and outside the labour force (i.e. individuals not seeking employment).

<sup>30</sup> Data for workers aged 55 and over.



## 1.6 The Risks of Inaction

Without appropriate action on the part of employers, labour organizations, and government, Alberta and B.C. risk not only a significant decline in the supply of workers over the next decade, but also a potential decline in productivity with the loss of skills, experience, and knowledge.

This could exert downward pressure on GDP per capita growth and slow increases in living standards in Alberta and B.C. This is already being seen in other jurisdictions. The underutilization of mature workers has been identified as a major factor contributing to the lower GDP per capita growth rates in the European Union in the past decade.<sup>31</sup>

Mature workers represent a large pool of labour supply: currently 43.4 per cent of the working-age population in Alberta, and 49.2 per cent of the working-age population in B.C. Increasing their participation in the labour force is an important part of a balanced strategy to help ensure continued economic growth in Alberta and B.C.<sup>32</sup> Increasing the involvement of mature workers in the labour force requires planning and new initiatives to:

- Encourage mature workers to remain in the labour force;
- Re-engage mature workers who have left the labour force; and
- Maximize the contribution of mature workers in the labour force.

<sup>31</sup> European Commission, *Annual Report on Structural Reforms 2003*, February 2003.

<sup>32</sup> For further information on strategies to address current and potential future labour market challenges and issues, refer to Government of Alberta's *Building and Educating Tomorrow's Workforce: Alberta's 10 Year Strategy*, July 2006, and the B.C. Government's *A Human Resource Strategy for British Columbia*, May 2004.

## 2. Incentives and Barriers for Mature Workers



Encouraging greater mature worker participation in Alberta's and B.C.'s labour forces requires an understanding of the factors influencing the work decisions of individuals as they age. Figure 2.2 (on page 19) provides an overview of these factors, which include personal circumstances, employment practices, knowledge and skills, and financial influences (including pensions, benefits and tax).

### 2.1 Personal Reasons

Clearly, personal reasons and preferences are central to the work decisions of people as they get older.

#### 2.1.1 Social Interaction

Work, in some form or another, has always been a preferred activity for many healthy, older individuals. It provides opportunities to stay active and continue to learn and have new experiences. It also provides

opportunities for social interaction and to maintain relationships with work colleagues. However, some mature workers find that they are able to have their needs for social interaction and mental stimulation met through avenues other than paid work, such as volunteer activities or hobbies.

#### 2.1.2 Personal Finances

Many older individuals also continue to work for financial reasons.<sup>33</sup> A Statistics Canada study found a strong association between the intention to retire and financial circumstances. Among near-retirees (aged 45 to 59), 40 per cent of respondents in households with incomes under \$20,000 said they will not retire, compared to just 12 per cent of respondents in households with incomes of \$60,000 or more.<sup>34</sup>

Many people work throughout their careers in jobs that do not offer pension benefits, and so need to continue working at older ages. The immigrant community especially is one in which examples can be found of individuals needing to work into and beyond their 60s. Some individuals will not have been in Canada long enough to accumulate a pension or savings to sustain them if they were to retire.

#### 2.1.3 Health

While personal circumstances can certainly be strong drivers for mature workers to stay in the workforce, there are also circumstances that make mature workers reduce their involvement in or withdraw altogether from the labour force. Health is one of these. Overall, the population aged 45 and over is healthier than previous generations. Some individuals, however, encounter health problems as they age that prevent them from being able to work or limit the type and amount of work they can do.

#### 2.1.4 Family

Others choose to reduce their involvement in the workforce to devote more time and energy to family. Individuals between 45 and 64 years of age are often

<sup>33</sup> Research conducted by the Employee Benefit Research Institute found that 81 per cent of retirees surveyed identified at least one financial reason for leaving work when they retired. It cited in *Retirement Research: Testimony Before the Special Committee on Aging* U.S. Senate, April 27, 2001.

<sup>34</sup> Statistics Canada, *The retirement plans and expectations of non-retired Canadians aged 45 to 59* June 2004.

called the “sandwich generation” as many of them are providing assistance to aging parents while still raising their own children.

### 2.1.5 Retirement of Spouse

Whether or not a spouse is working can also affect the work decisions of mature individuals. Research shows a man is more likely to retire if his spouse is also retired, but a woman’s participation in work tends not to be significantly affected by whether her spouse works or not.<sup>35</sup>

## 2.2 Employment Practices

The term “employment practices” is used to refer to how employers structure work for their employees. Using best employment practices helps employees to manage their work, family and financial responsibilities.

### 2.2.1 Alternative Work Opportunities

Alternative work opportunities can take a variety of forms, including part-time or contract work, flexible

work schedules, telecommuting, extended vacations or sabbaticals.

A global survey conducted by HSBC, *The Future of Retirement*, found that 66 per cent of respondents would be interested in flexible work hours as they get older.<sup>36</sup> The results of a Statistics Canada survey of recent retirees found that a high proportion of respondents would have continued to work if they could have worked part-time (28 per cent of respondents) or if they could have worked less without affecting their pension (30 per cent of respondents).<sup>37</sup> Other findings from the Statistics Canada survey are shown in Table 2.1.<sup>38</sup>

In Alberta and B.C. the retirement of older workers is contributing to labour shortages, and in turn, existing labour shortages are, in some occupations, also likely contributing to early retirement. As companies cope with a shortage of both skills and staff, it often falls to mature workers with the needed skills and experience to take on extra responsibilities.

This increased pressure is likely driving some mature workers to simply exit the labour force. Alternative work arrangements could potentially alleviate some of the work stress experienced by these workers and keep them in the labour force.

**Table 2.1 Recent Retirees Would Continue to Work if:**

	Percentage (%) of recent retirees <sup>39</sup>
They could work fewer days without affecting pension	28
They could work part-time	28
They could work shorter days without affecting pension	26
Personal health was better	26
Salary was increased	21
They had more vacation leave without affecting pension	19
Mandatory retirement policies had not existed	12
They could find suitable caregiving arrangements	6

Source: Statistics Canada, General Social Survey, 2002. *Canadian Social Trends*, Winter 2004.

<sup>35</sup> Courtney Coile, *Retirement Incentives and Couples' Retirement Decisions*, Testimony before the Special Committee on Aging, U.S. Senate, April 27, 2005.

<sup>36</sup> HSBC Holdings, *The Future of Retirement: What People Want*, 2005.

<sup>37</sup> Grant Schellenberg and Cynthia Silver, *You can't always get what you want: Retirement preferences and experiences*, Statistics Canada (Catalogue No. 11-008), Winter 2004.

<sup>38</sup> *Ibid.*

<sup>39</sup> Respondents could report more than one reason.

Organizational history and culture can have a strong influence on the success of alternative work arrangements and practices. Employers who show they understand the need of working parents for work-life balance may not show the same understanding to their older workers, many of whom are caring for aging parents and at the same time helping their adult children. A lack of alternative work arrangements may prevent some mature workers from pursuing options that would provide them with the work-life balance they desire.

The availability of alternative work opportunities can also be especially important to the work decisions of mature workers in physically demanding jobs, for example, many construction and some service sector jobs. Physically demanding jobs can become more difficult for workers to perform as they get older, leading some workers to stop working earlier than they want. Opportunities to do less physically demanding work could offer these workers the option of continuing to work in their field.

### 2.2.2 Mandatory Retirement and Protection from Age Discrimination in Employment

Age 65 is considered the “normal” age of retirement for eligibility purposes under Canada’s public pension system (e.g., under the Canada Pension Plan (CPP) and the Old Age Security (OAS) program) and under some private pension plans. However, the actual age at which individuals retire is affected by many factors. Some mature workers have retirement imposed upon them at a certain age by law or under the terms of collective agreements. The Canadian legislative framework relating to mandatory retirement and age discrimination in employment is complex and evolving on the basis of case law.

#### Federal Legislation

The *Canadian Human Rights Act* applies to federal government employees and employees in federally-regulated sectors such as railways, airlines, banks and telecommunications. This Act permits mandatory retirement in cases where employees reach the normal

age of retirement for employees working in similar positions. This component of the legislation is sometimes controversial, and has been contested recently before the Canadian Human Rights Tribunal.

Other circumstances under which mandatory retirement is permitted under the *Canadian Human Rights Act* include instances where age is demonstrated to be an occupational requirement or an employee has reached a maximum age that applies to their employment under law or regulation. Mandatory retirement for judges is an example of the latter.

#### Provincial Legislation

For employees working in sectors not subject to federal regulation, the rules regarding mandatory retirement and age discrimination in employment vary depending upon provincial and territorial human rights legislation.

In Alberta, the *Alberta Human Rights, Citizenship and Multiculturalism Act* prohibits forced retirement on the basis of age unless age is deemed to be a bona fide (i.e., genuine) occupational requirement.

The protection against age discrimination under the Act, however, does not affect the terms or conditions of retirement or pension plans, or group or employee insurance plans.<sup>40</sup> This allows for variations in normal retirement ages among pension plans. It also means that disability and life insurance coverage can be reduced and ultimately terminated once a worker reaches a certain age.

The government of British Columbia recently introduced legislation to end mandatory retirement by removing age discrimination limits in the BC Human Rights Code. Bill 31 implements a key recommendation of the report *Aging Well in British Columbia*, presented to government by the Premier’s Council on Aging and Senior’s Issues in December 2006.<sup>41</sup> The legislation will come into effect on January 1, 2008. Prior to the introduction of the Bill, the province’s human rights legislation did not offer workers age 65 and over any protection from age discrimination.

Alberta’s legislation and B.C.’s pending legislation relating to mandatory retirement and discrimination against older workers focuses on human rights protections, and is not as comprehensive as legislation

<sup>40</sup> The normal retirement age under a pension plan is the age at which members are entitled to start receiving a full pension. This does not mean that a member must stop working when they reach this age.

<sup>41</sup> Employers are required to have a well established and published policy to require an employee to retire at a certain age. Where the employer does not have a mandatory retirement policy, the *Pension Benefits Standards Act of British Columbia* requires that any person who continues in employment after normal retirement age must be permitted to remain a member of the employer-sponsored pension plan.





in some other provinces. For example, Manitoba, Quebec, and most recently, Ontario, have all made “contractual mandatory retirement”—mandatory retirement arising under pension plans or stemming from collective agreements—unenforceable.

## 2.3 Knowledge Skills

In many fields, knowledge and skill requirements for existing jobs are increasing. Some mature workers may feel they do not have the knowledge and skills they need to be comfortable and productive in today’s workplaces. For many, this may be because they have not been provided with—or taken advantage of—opportunities to continue to increase their knowledge and skills and become comfortable with new technologies throughout their careers. Training opportunities in many companies continue to focus on younger employees, despite research which shows on-the-job training and “the opportunity to learn something new” is something mature workers seek in a job.<sup>42</sup> Again, older workers are not a homogeneous group, and employers need to think carefully about the kinds of training and opportunities needed. Promoting a culture of life-long learning may be the best approach to

ensuring all employees have the skills and developmental opportunities they need, both to be competent at their jobs and to remain engaged in the workforce.

## 2.4 Financial Influences

The financial incentives and disincentives embedded in pensions and the tax system are often central to the work decisions of older individuals. While pension issues are often complex and difficult to understand, these factors are important in discussing the involvement of mature workers in the labour force.

In Canada, virtually all workers have access to some elements of the public pension system. As well, approximately 40 per cent of workers in Canada also belong to an employer-sponsored pension plan through their place of work.<sup>43</sup> These are primarily public sector workers or private sector workers employed with companies large enough to offer pension plans. Most private sector workers employed by small and medium-sized firms do not have an employer-sponsored pension plan and therefore must rely largely on the public pension system and their own savings for retirement.

<sup>42</sup> American Association of Retired Persons (AARP), *Staying Ahead of the Curve: The AARP Work and Career Study, 2002*. Accessed in: *The Business Case for Workers Age 50+: Planning for Tomorrow's Labor Needs in Today's Competitive Environment*. A report prepared for AARP by Towers Perrin, December 2005.

<sup>43</sup> Edward Lamagno, *Occupational Pension Plans in Canada: Trends in Coverage and the Influence of Seniors* (Caledon Institute of Social Policy), December 2006, page 8. In Alberta approximately 32 per cent of workers belong to an employer-sponsored pension plan through their place of work, the lowest percentage in the country.

## 2.4.1 Employer-Sponsored Pension Plans

The incentives and disincentives inherent in the design of employer-sponsored pension plans influence employees' retirement decisions. There are two main types of employer-sponsored pension plans:

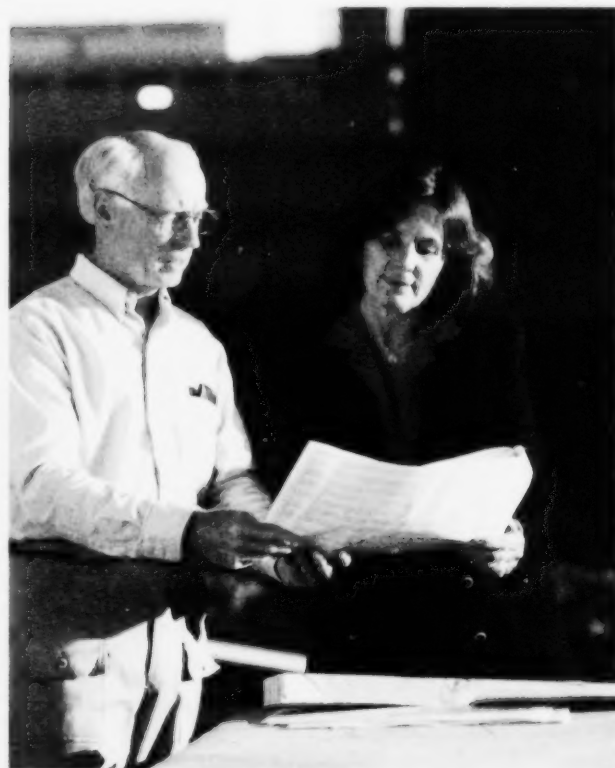
- **Defined benefit plans.** These plans provide a specified monthly benefit at retirement and are the most common in Canada. Over 80 per cent<sup>44</sup> of workers with an employer-sponsored pension plan have a defined benefit plan. Public sector employees and unionized workers typically have these types of plans.
- **Defined contribution plans.** Under defined contribution plans, an amount of money is set aside each year to be invested in stocks, bonds or other securities. The total value of all contributions made plus any investment income earned at the time of retirement represents the employee's total benefits. About 16 per cent of workers with employer-sponsored pension plans in Canada have a defined contribution plan.<sup>45</sup>

Labour groups have a decided preference towards plans that provide greater certainty regarding income levels during retirement. As such, their preference has been for defined benefit plans. Defined contribution plans tend to shift financial risk for retirement income from employers to individual workers.<sup>46</sup>

### Choosing to Work or Retire

Workers whose employment decisions are strongly influenced by their potential pension entitlements may choose to stop working once they are able to receive their full pension, if it means that their continued working would not increase their lifetime pension benefits.

Under defined benefit pension plans, the benefits workers are entitled to receive at retirement are determined through the application of a formula. Earnings levels and length of time as a full-time employee matter most.<sup>47</sup> This often means that moving to part-time employment close to a plan's normal retirement age has a negative impact on a worker's lifetime pension benefits.



Many defined benefit pension plans offer incentives for early retirement by allowing employees meeting certain requirements to retire earlier than the normal retirement age with little or no reduction in their pension. Use of these incentives was common in the 1990s as a way to provide incentives for older workers to leave the workforce. These incentives helped reduce salary costs and make room for younger workers to advance in organizations. However, the current labour supply issues in many jurisdictions, including Alberta and B.C., are leading many employers to re-examine the early retirement provisions their plans might offer.

In addition to offering early retirement incentives, most defined benefit plans are structured in such a way that they do not provide incentives for employees to stay on the job beyond normal retirement age.

Defined contribution pension plans, on the other hand, typically do not create incentives for employees to retire early, since the value of these plans is determined by the

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

<sup>46</sup> Kenneth V. George, President, Canadian Labour Congress, *Workplace Pension: current difficulties and going forward*, March 2005. Canadian Auto Workers Union (CAW), *Strong Pensions – Secure Future: Fact Sheet #1: A Canadian Pension Primer*.

<sup>47</sup> For example, the amount of one's pension under Alberta's Public Service Pension Plan is based on years of service, the average of one's five highest consecutive years of salary, and the legislated benefit rate, which is also earnings-based.

funds accumulated in an employee's individual account at the time they retire. On the other hand, retiring late allows for more contribution and investment income accumulation, providing some incentive to continue working.

### Phased Retirement

Phased retirement options, where workers reduce their involvement in work rather than retiring abruptly at a certain age, hold considerable appeal for many mature workers.<sup>48</sup> Pension considerations can weigh heavily in workers' decisions. Some may choose to stop working once they are able to receive their full pension, if it means that their continued working would not increase their lifetime pension benefits. As indicated in Table 2.1 on page 13, many recent retirees would continue to work if they could work less without affecting their pension.

The current regulations under *Canada's Income Tax Act* constrain phased retirement arrangements by preventing employees from accruing pension benefits under a defined benefit pension plan if they receive a pension from the plan of the same or a related employer. This reduces incentives for older workers to remain in the labour force.<sup>49</sup>

The recent federal budget proposes changes to the *Income Tax Act* regulations to permit an employer to simultaneously pay a partial pension to an employee and provide further pension benefit accruals to the employee. These changes will come into effect beginning in 2008. The measure will apply only to employees aged 55 years and over who qualify for an unreduced pension. This restriction will help to alleviate concerns that phased retirement may encourage too many individuals to access to early retirement options and compromise the health of pension plans.

Additional rules remain that currently discourage phased retirement. For example, a lifetime pension must be paid in equal periodic amounts. This prevents employees from receiving increasing levels of pension benefits while they gradually reduce their employment earnings.

There are fewer restrictions to phased retirement if an employer has a defined contribution pension plan. Individuals can re-enroll in a defined contribution pension plan and continue to receive their pension at the same time.<sup>50</sup>

### **2.4.2 Canada's Public Pension System**

Canada's public pension system is comprised of a network of programs including the Canada Pension Plan (CPP), Old Age Security (OAS), and the Guaranteed Income Supplement (GIS). Together, these programs provide varying levels of monthly benefits to Canadians age 60 and over, depending on a range of things such as employment history and income levels.

Policies pursued under Canada's public pension system impact the level of benefits older Canadians receive, thus influencing the retirement decisions of mature workers, especially those at lower income levels.

#### Canada Pension Plan

The normal retirement age under the CPP is 65. However, individuals may begin receiving benefits – albeit at a reduced level – starting at age 60. If individuals choose to start receiving CPP benefits before age 65, there is a permanent reduction in their monthly benefits of 0.5 per cent for each month they are under the age of 65 when they begin receiving CPP. This is not considered to be a major incentive for most Canadians to cease working before age 65.

Just as CPP benefits are adjusted downwards if they are started before 65, they are adjusted upwards by 0.5 per cent per month if individuals defer their benefits until after 65.

Current Canada Pension Plan policies discourage phased retirement. To be eligible to receive a CPP retirement pension between the ages of 60 and 64, an individual must do one of the following:

<sup>48</sup> While technically "phased retirement" refers to continuing to work and accrue pension benefits while collecting a partial pension, the term is commonly used to refer to any gradual reduction in involvement in work among mature workers.

<sup>49</sup> The current options available if an employer with a defined benefit pension plan wants an individual who has started their pension to come back to work are:

- Allow individuals to continue to collect their pension and also receive a paycheck. While workers may not re-enroll as an active member of a defined benefit plan once they start receiving a monthly pension benefit under the plan, they could join an employer's defined contribution plan if one is offered.
- Discontinue the individual's pension and re-enroll them in the pension plan as active members. Individuals would accrue additional pension benefits in accordance with the plan's provisions. This would allow them to receive a larger pension when they retire permanently.

<sup>50</sup> This assumes that the retired person was previously a member of the same defined contribution plan, and had already transferred their benefits out of the plan.

- Stop working by the end of the month before their CPP pension begins and not work during the month in which it begins.
- Earn less than the current monthly maximum CPP retirement pension payment (\$863.75 in 2007) in the month before it begins and in the month it does begin.<sup>51</sup>

This means mature workers earning more than \$863.75 per month need to have, in effect, a two-month break in their employment if they choose to start receiving their CPP retirement pension before age 65.

### Old Age Security and Guaranteed Income Supplement

The Old Age Security (OAS) program is another important part of Canada's retirement income system. For some individuals, OAS policies affect decisions about the extent to which they would work after becoming eligible for OAS.

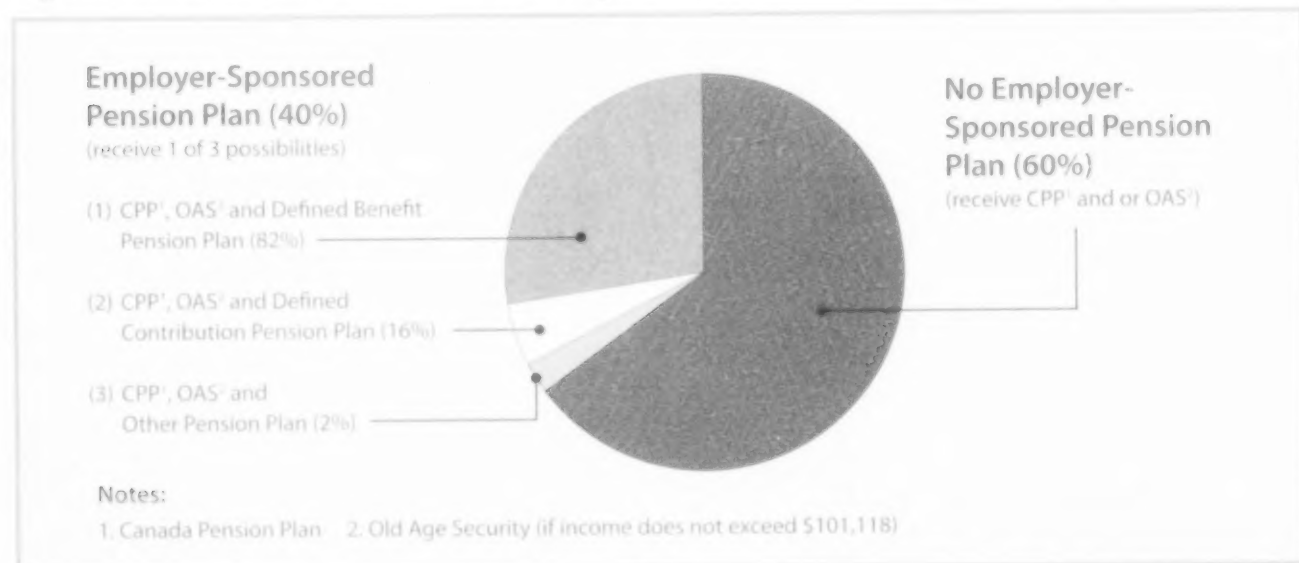
The OAS pension is a monthly benefit available to most Canadians 65 years old and over. OAS eligibility and benefit levels are not influenced by an individual's

employment history. However, the level of income individuals receive does affect the amount of their OAS benefits. Benefits are reduced when income from all sources (including CPP) exceeds \$62,144, and stop altogether when income reaches \$101,118. This may be a disincentive for people to work at jobs that would bring their earnings up to these thresholds.

The Guaranteed Income Supplement (GIS) is a monthly benefit paid to individuals who receive an OAS pension and have little or no other income. Unlike the OAS, the GIS is not subject to tax. However, GIS benefits are reduced or "clawed-back" at 50 cents per dollar of private income a senior receives.<sup>52</sup> Analysis has indicated that the extent of the reduction likely serves as a disincentive to work among seniors receiving the GIS.<sup>53</sup>

Analysts have also argued that the current GIS "clawback" rate may discourage labour force participation among low-income individuals between the ages of 60 and 64, as these individuals must compare the value of leaving the workforce before age 65 and receiving an immediate, albeit lower CPP benefit, to delaying retirement and receiving a higher CPP benefit, which would eventually be reduced when GIS benefits begin to be paid.<sup>54</sup>

**Figure 2.1 Overview of Pension Coverage in Canada**



<sup>51</sup> Canada Pension Plan (CPP) Retirement Pension Fact Sheet, Toronto, 2007, [www.cra-arc.gc.ca/pplp/factsheet/retire.html](http://www.cra-arc.gc.ca/pplp/factsheet/retire.html)

<sup>52</sup> Excluding benefits received from Old Age Security, the Allowance, and provincial income supplements (e.g. Alberta Senior's Benefits, B.C. Senior's Supplement).

<sup>53</sup> Ted Wainell, "Cautious on 2008's New Age Perspectives on Labour and Income," Vol. 7, No. 1, April 2006.

<sup>54</sup> Kevin Milligan, "Making It Easy to Work: Improving the Work Incentives in Canada's Public Pension System," C.D. Howe Institute, No. 218, October 2005.



**Figure 2.2 Incentives and Barriers Influencing Mature Worker Participation in the Workforce**

INCENTIVES	BARRIERS
<b>Personal Reasons</b> <ul style="list-style-type: none"> <li>• Personal satisfaction – working to stay healthy and active</li> <li>• Social interaction</li> <li>• Financial need</li> <li>• Desire to contribute to family's finances</li> </ul>	<b>Personal Reasons</b> <ul style="list-style-type: none"> <li>• Family/eldercare responsibilities or preferences</li> <li>• Sickness or disability</li> <li>• Desire for more time for leisure/recreational pursuits.</li> </ul>
<b>Employment Practices</b> <ul style="list-style-type: none"> <li>• Opportunities for alternative work arrangements</li> <li>• Encouragement and acceptance by employers, superiors and/or peers</li> <li>• Self-employment opportunities</li> </ul>	<b>Employment Practices</b> <ul style="list-style-type: none"> <li>• Mandatory retirement policies</li> <li>• Lack of protection against age discrimination</li> <li>• Stress associated with work</li> <li>• Physical demands of work</li> <li>• Lack of encouragement and acceptance by employers, superiors and/or peers</li> </ul>
<b>Knowledge and Skills</b> <ul style="list-style-type: none"> <li>• Opportunities for training/professional development</li> </ul>	<b>Knowledge and Skills</b> <ul style="list-style-type: none"> <li>• Lack of opportunities to update knowledge and skills</li> </ul>
<b>Financial Influences (Pensions, Benefits and Tax)</b> <ul style="list-style-type: none"> <li>• Availability of benefits (health, disability, life insurance) through continued employment</li> <li>• Availability of flexible benefit options</li> <li>• Availability of phased retirement options under pension plans</li> <li>• Lack of employer pension benefits during career</li> </ul>	<b>Financial Influences (Pensions, Benefits and Tax)</b> <ul style="list-style-type: none"> <li>• Early retirement options and/or incentives under pension plans</li> <li>• Pension plan barriers to phased retirement or working past normal retirement age</li> <li>• Guaranteed Income Supplement "clawback" on earnings</li> </ul>



# 3. Incentives and Barriers for Employers

Encouraging greater mature worker participation in Alberta's and B.C.'s labour forces also requires an understanding of the incentives and barriers that employers face in hiring and retaining mature workers. It can be expected that employers will look to mature workers, including those already retired, as an important part of the solution to meeting their need for skilled workers. However, many current employer human resource practices were developed under different labour market conditions and do not reflect the realities of today's tight labour market.

## 3.1 Contribution of Mature Workers

Mature workers have many attributes that are of benefit to the labour market. They bring the myriad of skills they developed during their careers and experience they acquired both at and away from work. Many have highly developed judgment, problem-solving abilities, and interpersonal skills and have forged valuable relationships with customers or clients. Employers find that older workers typically demonstrate a strong commitment to their job and tend to remain in jobs longer than younger workers. In a recent survey of its members in Alberta and B.C., the Canadian Federation of Independent Business (CFIB) found that over three-quarters of those who responded feel older workers bring the following attributes to the workplace: strong work ethic, experience, qualifications and loyalty.

However, misconceptions about mature workers still abound. Employers may be reluctant to look at initiatives to attract or retain mature workers because of unfounded concerns about the willingness of mature workers to learn new skills and new technologies and practices. The reality is that many older workers are keen and capable of

learning new skills, but may be overlooked for training. Employers may also be concerned that declines in physical and mental abilities among mature workers will lead to poorer work performance, higher turnover and absenteeism, and ultimately lower productivity. However, while age is a factor with work-related absences,<sup>55</sup> many employers now offer health promotion programs such as employee assistance, stress management, smoking cessation, fitness subsidies, and flu vaccinations. Workplace and job accommodations may also decrease absenteeism.

## 3.2 Training and Employment

A recent Manpower report notes that the next stage for productivity improvement means focusing on getting the most from each individual throughout his career. The same report states that "Lifelong learning needs to be become part of the national culture in every country of the

world, beginning with basic education and continuing through retirement."<sup>56</sup>

Awareness of the importance in providing training throughout an employee's career is increasing among employers and governments. New production processes and technologies require all

workers, regardless of the number of years of service, to be provided with periodic training. As well, new training techniques and technologies, including modular courses, are making it easier to adapt training to an employee's individual learning style.

Despite this, some employers continue to question whether the time and cost associated with training mature workers provides a sufficient return on investment. The concern is that the length of time the organization benefits from newly acquired knowledge and skills of a mature worker is short compared to younger workers. However, this is often not the case because there tends to be less job turnover among mature workers than younger workers.<sup>57</sup>

**"We would hire more older workers, if available. They are reliable and have a great work ethic."**

CFIB Member, Edmonton

<sup>55</sup> Katherine Marshall, "On sick leave," *Perspectives on Labour and Income* Vol. 27, no. 4 (April 2006) [http://www.sinnat.ca/english/studies/27\\_001/010106en\\_1.htm](http://www.sinnat.ca/english/studies/27_001/010106en_1.htm)

<sup>56</sup> Manpower Inc., *The New Agenda for Older Workers*, April 23, 2003.

<sup>57</sup> William B.P. Robison, *The British North American Committee (BNAAC), Aging Populations and the Workforce: Challenges for Employers* (October 2001) [http://www.cdnass.org/pdf/BNAAC\\_Aging\\_Populations.pdf](http://www.cdnass.org/pdf/BNAAC_Aging_Populations.pdf)

### 3.3 Financial Considerations

Financial considerations for employers around hiring and retaining mature workers can be complicated. A key financial motivator for employers to try to retain mature workers is the high cost of employee turnover. In many cases the turnover costs associated with hiring and training a new employee outweigh the incremental increases in compensation and benefits required to retain a mature worker.<sup>58</sup>

In attracting mature workers, some may have lower compensation expectations than younger workers. For example, some workers have alternative sources of income, such as a pension from a previous employer, CPP and OAS. Furthermore, workers aged 65 and over in Alberta and B.C. do not require full coverage under employer-sponsored health benefits plans because of their eligibility for provincial coverage for some health benefits once they turn 65.

There are circumstances, however, where mature workers can be more costly to employ than younger workers. Mature workers often command higher salaries in the labour market and may be eligible for more vacation time than younger workers. It can also be more expensive for employers to provide some benefits, such as disability coverage, for these employees. In assessing alternative staffing options, employers need to weigh these potentially higher costs with the positive contributions they feel mature workers can make to their organization.

The same pension and tax legislation restrictions outlined in the previous section also factor into the decisions of employers around mature workers. Employers currently face constraints in implementing flexible work arrangements, such as phased retirement pension schemes, because of regulations under the federal *Income Tax Act*. However, as previously discussed, rules to better accommodate phased retirement are being implemented.

**Figure 3.1 Incentives and Barriers for Employers in Hiring Mature Workers**

INCENTIVES	BARRIERS
<b>Contributions of Mature Workers</b> <ul style="list-style-type: none"> <li>• Attributes of many mature workers (e.g., reliability, loyalty, work ethic, problem-solving and interpersonal skills, judgment, safe work practices, ability to relate to older customers)</li> <li>• Experience, skills and established business relationships</li> <li>• Customer desire to have workforce reflect diversity in customer base</li> <li>• Willingness of mature workers to work part-time, irregular hours or seasonally</li> </ul>	<b>Contributions of Mature Workers</b> <ul style="list-style-type: none"> <li>• Concerns about mature workers (e.g., inflexibility, high turnover, absenteeism/sick time/long-term disability rates, inability to learn/adopt new technologies, lower productivity)</li> <li>• Concerns about decline in physical and mental abilities as workers age</li> </ul>
<b>Training and Employment</b> <ul style="list-style-type: none"> <li>• Increasing recognition of the importance of life-long learning</li> <li>• Increased ability to adapt training for older workers (e.g. short, modular courses, use of technology for training delivery)</li> </ul>	<b>Training and Employment</b> <ul style="list-style-type: none"> <li>• Concerns about return on recruitment and training costs</li> <li>• Lack of familiarity with effective strategies to recruit and train mature workers</li> </ul>
<b>Financial Factors</b> <ul style="list-style-type: none"> <li>• Reduced employee turnover costs</li> <li>• Lower wage/salary expectations of some mature workers (e.g. because of other sources of income)</li> </ul>	<b>Financial Factors</b> <ul style="list-style-type: none"> <li>• Concerns about salary and benefit costs (e.g., seniority pay, pension costs, benefit costs, vacation entitlements, etc.)</li> <li>• Constraints under the Income Tax Act to implementing flexible work arrangements and phased retirement programs</li> </ul>

<sup>58</sup> The Conference Board, *Managing the Mature Workforce: Legislation and Best Practices* (July 2003).

# 4. Employer and Labour Initiatives

## 4.1 Employer Associations and Labour Groups

Employer associations and labour groups are starting to research and put forward recommendations for government and employer actions on issues related to the participation of mature workers in the labour force. For example:

- The Canadian Federation of Independent Business (CFIB) recently surveyed its members in Alberta and B.C. about older workers and initiatives being taken by its members to attract and retain workers aged 60 and over. It also prepared a report earlier this year examining private and public sector retirement trends and pension coverage.<sup>59</sup> In addition, the CFIB has developed resources to help self-employed workers transition from work to retirement.
- The Canadian Chamber of Commerce is calling for the development of a “national business action plan” to address the labour force challenges resulting from an aging population and shortage of skilled workers. According to the Chamber, one of the key features of the national business plan should be “finding innovative ways to retain older workers in the workforce including tax credits and flexible hours.”<sup>60</sup>
- The Alberta Chamber of Commerce made recommendations to the Alberta government in 2005

**The City of Calgary was recognized by Canada’s Association for the Fifty Plus (CARP) for its Retirement Policy.**

**The policy enables the City to identify a position as “critical” and have a person who is retiring stay on in the position under contract.**

**As a contracted employee, they continue to receive pension and vacation benefits. The City of Calgary is the first municipal government in Canada to implement this type of policy.**

for changes to both provincial and federal legislation to remove disincentives and create incentives to increase the labour force participation of mature workers.<sup>61</sup>

- Several labour associations across the country (e.g. The Alberta Federation of Labour and Canadian Auto-Workers Union) are calling for a strengthening of the Canada Pension Plan and advocating for the preservation and expansion of defined benefit, employer-sponsored pension plans as opposed to defined contribution plans.<sup>62</sup>

## 4.2 Individual Employers

Actions on the part of individual employers have the greatest potential to increase opportunities for mature workers to participate in the labour market. However, a recent survey of employers found that only 17 per cent of employers in Canada have established strategies to recruit older workers, and only 24 per cent have implemented retention strategies.<sup>63</sup> In an era where skilled workers are at a premium, clearly more needs to be done to ensure employers

recognize the issues that are part of an aging workforce and are aware of potential solutions.

Some employers have identified the challenges ahead and have already made changes to their human resource policies. According to a 2002 survey of 150 senior human resource executives in the U.S., the most common incentives offered by employers to retain workers aged 50 or over were:<sup>64</sup>

59 Canadian Federation of Independent Business (CFIB), *Canada’s Pension Performance: The widening gap between public and private sector retirement wealth and pension plans* (January 2005).

60 The Canadian Chamber of Commerce, *Canadian Chamber Calls for National Action Plan on Skilled Labour Shortage* (September 2006).

61 Alberta Chamber of Commerce, *The aging workforce: Removing disincentives and creating incentives to keep working* (2005).

62 Canadian Auto Workers Union (CAW), *Strong Pension – Strong Future* (Fact Sheet #3) (A Canadian Pension Plan); Alberta Federation of Labour (AFL), *The Assault on Pensions in Canada: Foreboding for the Future* (May 2005).

63 Manpower Inc., *The New Agenda for an Older Workforce* (April 23, 2005).

64 Figures in brackets refer to the percentage of employers offering each incentive.

- Flexible work arrangements (41 per cent)
- Training to upgrade skills (34 per cent)
- Time off for volunteerism (15 per cent)
- Phased retirement (14 per cent)
- Reduced shift work (14 per cent)
- Job rotation (12 per cent)
- Sabbaticals (11 per cent)
- Reduced responsibility (8 per cent)
- Mentoring as a primary job responsibility (5 per cent)<sup>65</sup>

Innovative approaches will grow as labour markets tighten and employers gain more experience in this area in the years ahead. While governments have a role in supporting the sharing of information about innovative and effective practices, it will be up to individual employers to modify their practices based upon the best available evidence and the needs of their organization.

No one set of initiatives will work for all employers seeking to attract and retain mature workers. The practicality and effectiveness of different initiatives will depend on a number of factors, including company size, occupation and nature of work done by individual employees, personal circumstances and motivators of existing and potential future workers, and the legislative framework in a jurisdiction.

#### 4.2.1 Flexibility Is Key

As mature workers approach retirement age, many are more concerned with pursuing other interests or spending more time with family than in working full-time. For this reason, many are interested in flexible work arrangements that provide them with more work-life balance, such as telecommuting opportunities, part-time or contract work, or modified work weeks and work duties.

Many employers have begun to offer such arrangements—not only to their older workers, but to all staff, as a way of retaining valued employees. Incentives include:



- Actively approaching/presenting employees with flexible retirement options that they might not have contemplated.
- Offering part-time employment (over 40 per cent of respondents in a recent CFIB survey of members in Alberta and B.C. indicated that they offer part-time or job sharing options).
- Creating a work-life policy that supports flexible work arrangements, including working from home and allowing employees to have time off for volunteer work.

- Offering the option for mature workers to gradually reduce their workloads and set their own hours (offering greater flexibility was identified most frequently in a CFIB survey as a measure businesses are taking to retain older workers).

**"Every company has to become more creative in how they get work done – from flexible hours to job sharing, reducing the workload and offering seasonal work."**

CFIB Member, Calgary

- Offering more time off in place of more pay.
- Extending time off during the winter months for mature individuals who choose to go south for extended periods.
- Removing disincentives to rehiring pensioners.

<sup>65</sup> The Conference Board, *Valuing Experience: How to Attract and Retain Mature Workers*. (Based on a 2002 survey of 150 senior human resource executives). 2003

- Reducing the physical demands of work (CFIB's recent survey of members in Alberta and B.C. indicated that organizations are reducing the workloads or physical demands of jobs in an effort to retain older workers.)

While phased retirement is growing in popularity, it is still not a widespread practice. One of the key elements in making phased retirement successful is allowing mature workers to receive a pension while continuing to work. Feedback from employers who offer phased retirement programs indicates that employee interest is low because of existing pension restrictions such as reduced pensionable earnings.

#### 4.2.2 Attracting Older Workers

Many employers have an explicit focus on attracting older workers.<sup>66</sup> Some employers are developing recruitment campaigns specifically targeted at mature workers, including retirees who might be interested in part-time work. Following are several examples of initiatives undertaken by both public and private sector employers across Canada and around the world to attract mature workers.

- Maintaining “retired members’ lists” – lists of mature workers who can be called upon as needed.
- Requesting referrals from current staff (this was the approach mentioned most frequently by respondents in a recent survey conducted by the CFIB).
- Ensuring the representation of mature workers on the company's website.
- Posting recruitment notices at seniors' centres.
- Hiring recruitment specialists experienced in sourcing and hiring older workers.

**Adecco, which provides recruitment and HR consulting services to other companies, distributes special materials at locations frequented by mature individuals, such as churches, shopping malls, and community centres as a means of recruiting mature workers.<sup>67</sup>**

**Avis Rent A Car went to shopping plazas to talk to mall walkers who gather there. They recruited workers to shuttle cars from location to location.<sup>68</sup>**

- Using online recruitment channels, like [skillsmatch.ca](http://skillsmatch.ca), that specifically target mature workers.
- Partnering with a national or local association for older workers.
- Ensuring recruitment advertising appeals to mature individuals and reflect a company's desire to recruit and provide a welcoming work environment for this age group.
- Meeting with and speaking to seniors groups about employment opportunities.

Some employers have also found that having mature workers as part of their current workforce is one of the most effective ways to attract other mature workers.

#### 4.2.3 Monitoring the Preferences of Older Workers

Keeping in touch with the needs and desires of mature workers and recent retirees helps employers identify the work arrangements and benefits mature workers are seeking. For example, in 2001 IBM conducted a global work/life survey of 59,000 employees in 48 countries. Using the data from this survey, the company developed a five-year work/life strategy. As well, HSBC Canada holds an annual luncheon for its retirees, and also recently surveyed retirees along with current employees age 50 and over to identify factors that may motivate them to continue or return to work.

Some of the more innovative initiatives employers are using to maintain contact with retired workers include:

66 In its recent survey of members in Alberta and B.C., the CFIB found that 13 per cent of respondents have taken specific steps to attract older workers.

67 The Conference Board, *Managing the Mature Workforce: Implications and Best Practices*, July, 2005.

68 Experience Works, *Experienced Worker Resource Kit For Employers*, [www.experienceworks.ca](http://www.experienceworks.ca), p. 31.



- Developing a “Casual Worker Program” to directly hire or re-employ an “on call” pool of workers who would receive limited benefits and no pension.
- Developing a “Retiree Pool” to register information on the interests and skills of recent retirees in order to staff short-term initiatives or specific projects.
- Allowing recent retirees who don’t like retirement to return to the company without losing accumulated paid time off and other benefits.
- Keeping in touch with retired workers through social events and a newsletter.

#### 4.2.4 Mentoring

Mature workers represent years of knowledge and experience that are often an asset to an employer. As the workforce ages, particularly among the managerial ranks, the need for succession planning to retain this knowledge is vital.

In an effort to retain mature workers, as well as to capture their knowledge and experience, many employers are introducing mentorship programs. The initiatives being undertaken include:

- Bringing back retirees to train younger and new workers.
- Providing workers who are approaching retirement with opportunities to teach or mentor.
- Offering a range of special programs to teach knowledge transfer, including workshops on knowledge sharing.

**Recognizing that many customers feel more comfortable discussing financial matters with a mature worker, the company is attempting to find ways to hire more mature workers into its customer service workforce. One initiative is offering a paid time off bank, which “offers more flexibility than a predetermined allocation of vacation, holiday and sick time. This appeals to mature workers, who may need time off for medical reasons and/or elder care but want to maintain a certain level of privacy.”<sup>69</sup>**

Lincoln Financial Services Company  
(9th among the American Association of Retired Persons’  
Best Employers for Workers over 50 (2004))



**At Coastal Pacific Xpress, a truckload carrier company based in B.C., mature workers are being used in the company’s Professional Driver’s Apprenticeship Program to mentor and train younger drivers.**

<sup>69</sup> The Conference Board, *Managing the Mature Workforce: Implications and Best Practices*, July, 2005.



#### 4.2.5 Pay and Benefits

The Statistics Canada study indicates that approximately 21 per cent of recent retirees would have continued to work if their salary was increased.<sup>70</sup> The strong demand for labour in both Alberta and B.C. at this time is leading to higher wages. This is one means by which employers are attempting to attract and retain all types of labour, including mature workers. Some employers, particularly in the energy industry, are even offering substantial bonuses to workers who make a long-term commitment to the company.

Along with pay, employers are also making changes to employee benefits to boost the labour force engagement of mature workers. Some companies, for example, have reduced or removed early retirement incentives from existing pension plans and increased incentives to work beyond a plan's normal retirement age. As well, some employers are offering to expedite access to benefits for new employees who come to them with several years of experience in other jobs. One example is offering new employees the same vacation entitlement they would have had with a previous employer. Another enticement is offering new employees opportunities for early ownership in their companies.

**Excell Services, a call centre in Penticton, B.C., has ergonomically-designed work stations to support the mobility and physical needs of mature workers. Excell also offers a "Lunch'n'Learn" program that often includes discussions of issues important to seniors (e.g., health issues, identity theft). The company has no retirement policies and promotion of those over 50 is commonplace.**

#### 4.2.6 Work Environments

Employers are paying more attention to creating work environments that are attractive to mature workers. This may involve a number of things like changes in the physical environment (e.g. ergonomics), improved workplace health and information programs, and a workplace culture that is more receptive to age diversity. Current initiatives being undertaken by employers include:

- Fostering a corporate culture and structure that values mature workers. This is demonstrated through values, leadership and brand, and practices such as adopting hiring and promotion practices that support mature workers.
- Conducting special age diversity training (e.g. helping managers to be attuned and responsive to the issues and preferences of mature workers).
- Offering workshops and information seminars to employees on personal, financial, and retirement planning.
- Expanding workplace wellness programs to include such things as blood pressure clinics, flu shots, yoga, and healthy eating workshops.
- Improving workplace ergonomics and technology to accommodate the physical needs of an aging workforce.
- Encouraging mature workers and younger workers to establish rapport with one another and to feel more comfortable working together.

#### 4.2.7 Owner - Managed Small Businesses

For many small-sized firms, the issue is not necessarily one of attraction or retention of mature workers, but rather one of transition as self-employed entrepreneurs attempt to move into retirement. At 66 years, the average retirement age for the self-employed is well above that of employees in both the public (59 years) and private (62 years) sectors.<sup>71</sup>

<sup>70</sup> Refer to Table 2.2

<sup>71</sup> Average age at retirement are for the 2000 to 2003 period. Statistics are from Statistics Canada, *Labour Force Survey 2006* as cited in *Canadian Federation of Independent Business (CFIB), Canadian Pension Predicament: The widening gap between public and private sector retirement plans and pensions* (Ottawa, January 2007)



## Ten Tips for Managers<sup>72</sup>

The following tips for managers identify some of the effective practices for employers in attracting, developing and retaining older workers:

1. **Take a look at beliefs and biases toward older workers.** Ensure that you and your company are open to hiring older workers. Develop the ability to spot examples of ageism on the job, in the media, and in your personal life.
2. **Include information on aging and older workers in management training.** Include information on "myths versus reality" and on generational differences in the workforce.
3. **Review your recruitment policies and practices, ensuring they are open to hiring older workers.** For example, use photos of older workers in advertising, advertise where you can find older workers, and build age diversity into interview panels.
4. **Ensure there are opportunities for training.** A well-developed training program is key for all workers, but especially older workers. Look out for employees who are feeling displaced due to new technologies. Offer help to get them back on their career path.
5. **Build flexibility into work assignments and schedules wherever possible.**
6. **Develop and implement a career management system for workers, including older workers.** Let workers of all ages know you want to retain their skills and abilities. Watch for problems like skill obsolescence, job burnout, or plateauing, which result in loss of motivation and lead to performance problems.
7. **Consider a survey or pre-retirement interview of employees to understand their retirement goals and aspirations.** Find out what the older workers want and figure out how to give it to them, e.g. early retirement, continued full-time or part-time work.
8. **Take a fresh approach to retention strategies for all workers.** Review your policies, pension plans, labour agreements and your physical workplaces to understand any changes that might be needed to retain older workers.
9. **Keep in touch with retirees from your organization.** Make them aware of positions and jobs that might be of interest to them.
10. **Understand the demographic changes in today's labour force,** and take time to plan and make changes to your human resources strategy accordingly.

<sup>72</sup> Adapted from Experience Works, *Starting Today: Ten Steps to Make the Most of Experience*, [www.experienceworks.ca](http://www.experienceworks.ca).

# 5. Government Initiatives

## 5.1 International Initiatives

While employer actions will have the greatest impact on the participation of mature workers in the labour market, governments also have an important role to play. Many of the initiatives governments are taking are focused on achieving two primary outcomes: increasing the average age of retirement; and increasing labour force participation rates of mature workers.

The European Union (EU), for example, has set targets for 2010 to increase the average employment rate for 55-64 year olds to 50 per cent<sup>73</sup> and to increase the age at which workers leave the labour force to 65.<sup>74,75</sup>

European countries have taken a number of different steps in an attempt to reach these targets. (Information on initiatives taken by specific countries can be found in Appendix A.) These include:

- Reducing incentives for early retirement:
  - increasing pension benefit reductions if workers retire early;
  - tightening the eligibility criteria for early retirement, including raising the age at which workers can start receiving pension benefits;
  - introducing defined contribution features to national and employer-sponsored pension plans;
  - lengthening contribution periods for public pensions; and,
  - indexing pensions to life expectancy.
- Increasing incentives for later retirement:
  - increasing pension adjustments or bonuses for working beyond retirement age;
  - reducing the tax rates on earned income or providing tax credits;
  - reducing social security contributions for workers over a certain age; and,

- eliminating restrictions on earnings after starting to receive a pension.
- Making work more attractive to mature workers by:
  - promoting part-time work and other flexible working options (for example, offering “working time” credits that can be used to take time off for things like family commitments);
  - introducing partial retirement programs;
  - introducing wage and other subsidies as incentives to employers to hire older workers;
  - helping mature workers transition to self-employment; and
  - promoting adjustments in tasks or processes to make work less physically demanding for mature workers.
- Encouraging increased training and employment of older workers by:
  - offering tax incentives to businesses for training older workers;
  - providing time off to mature workers for training; and
  - providing job search assistance to mature workers.
- Discouraging age discrimination by:
  - putting in place legislation to make age discrimination in employment illegal (for example, all EU member countries were expected to have legislation banning discrimination based on age in place by 2006); and
  - developing educational campaigns to promote the benefits older people can bring to both society and the workplace.

Countries in Asia are also grappling with the issue of an aging workforce. Singapore, for example, is encouraging companies to employ workers over 40 years of age or re-employ workers after the age of 62 by offering incentives of up to \$300,000 per company. These incentives can be used for such things as introducing flexible work arrangements, offering training to mature workers, and

<sup>73</sup> In 2004, the employment rate for 55-64 year olds was 42.5 per cent.

<sup>74</sup> In 2001, the average age of retirement was approximately 60 years old.

<sup>75</sup> AARP Public Policy Institute, *Rethinking the Role of Mature Workers: Promoting Mature Worker Employment in Europe and Japan*, 2005 and Commission of the European Communities, *The Stockholm and Barcelona Targets: Increasing employment of older workers and delaying the exit from the labour market* (Commission Staff Working Paper, 2003).



## 5.2 Evaluating the Success of International Initiatives

The successful implementation of policies depends on factors specific to a country, such as prevailing demographic trends and issues, cultural attitudes towards work and retirement, the role of the state in the labour market, and the legislative framework governing pensions and retirement. These differences make it extremely difficult to assess whether initiatives implemented in one country would lead to similar outcomes in another country. For example, a change in benefit payments under a public pension system would have a more significant effect on retirement in a country where the national pension system accounts for a large share of retirement income (such as Sweden).<sup>80</sup>

Even within an individual country, it is difficult to single out certain initiatives as being more successful than others. The success of one initiative is usually reliant upon complementary initiatives. For example, during the five-year period (1998 to 2002) that Finland's mature workers program, Finnish National Programme on Ageing Workers (FINPAW), was implemented, labour force participation and employment rates for Finland's older population increased dramatically. However, FINPAW was a comprehensive and integrated program that included approximately 40 different measures and initiatives.<sup>81</sup>

Desired outcomes (e.g. increased labour force participation and increased age of retirement) are also difficult to link directly to certain initiatives. In Finland, for example, labour force participation rates and employment rates for mature workers increased significantly during the five-year period of Finland's mature workers program. It is not clear, though, how much of this was due to measures taken under FINPAW and how much was due to the rapid economic growth Finland experienced during the same time period.<sup>82</sup> As well, in Holland, there was a sharp increase in labour force

wage restructuring.<sup>76</sup> In Japan, measures have included increasing the age of pension eligibility, changing how pension benefits are calculated, and offering subsidies for employers who retain or hire mature workers.

The issue of an aging workforce has also received increased attention in the United States in recent years. One of the initial measures taken was the elimination of the earnings penalty for Social Security beneficiaries who continue to work beyond the normal retirement age. In 2004, the Internal Revenue Service (IRS) proposed regulations to make phased retirement programs more attractive by allowing employees covered under defined benefit plans to participate in a phased retirement program and receive a pro rated share of their accrued benefits starting at age 59 1/2.<sup>77</sup> In 2006, changes were made to the Internal Revenue Code under the *Pension Protection Act* (PPA) allowing for the distribution of benefits from defined benefit pension plans starting at age 62. Given these changes, the IRS is currently seeking comments from stakeholders on whether to proceed with its proposed regulations.<sup>78</sup>

Another important measure in the U.S. was the establishment in May 2006 of the interagency *Taskforce on the Aging of the American Workforce* to "address the workforce challenges posed by an aging population".<sup>79</sup>

<sup>76</sup> Singapore Workforce Development Agency, *Fact Sheet on 'Advantage' Scheme: Redefining the value of mature workers*, [http://app.wda.gov.sg/data/wda/factsheets/ADVANTAGE\\_Fact%20Sheet.pdf](http://app.wda.gov.sg/data/wda/factsheets/ADVANTAGE_Fact%20Sheet.pdf).

<sup>77</sup> Internal Revenue Service (United States Department of the Treasury), *Internal Revenue Bulletin 2004-47*, November 2004.

<sup>78</sup> Internal Revenue Service, *IRS Notice 2007-8 Requesting Comments on Proposed Guidance to Implement Changes to L.R.C. Section 401 Made by Pension Protection Act of 2006* (January 2007).

<sup>79</sup> U.S. Department of Labor, Employment and Training Administration, *Older Worker Initiative*, [http://www.dol.gov/eopos/reports/taskforce\\_on\\_the\\_aging\\_american\\_workforce.pdf](http://www.dol.gov/eopos/reports/taskforce_on_the_aging_american_workforce.pdf).

<sup>80</sup> *Ibid.* p. 26.

<sup>81</sup> AARP Public Policy Institute, *Rethinking the Role of Mature Workers: Promoting Mature Workers' Employment in Europe and Japan*, 2003.

<sup>82</sup> *Ibid.*



participation rates among mature workers following the introduction of pension reforms. However, it is unclear if this increase was caused by the pension reforms or simply part of the “Dutch employment miracle” of the 1990s.<sup>83, 84</sup>

## 5.3 Canada

### 5.3.1 Federal Initiatives

Canada’s Department of Finance recently told the Senate Committee on Banking, Trade and Commerce that, the “extent of ag(e)ing will be greater in Canada than in most other developed countries. ... Among the (Organization for Economic Co-operation and Development countries), it is likely that Canada will have the sixth largest increase in its population ratio of elderly to working age.”<sup>85</sup>

The 2007 federal budget recently announced two key items to encourage older workers to stay in the labour market. The first is rules to better accommodate phased retirement. Amendments will be made to the *Income Tax Act* to allow individuals who are already entitled to an unreduced pension to receive partial pension payments on a monthly basis from a defined benefit pension plan while continuing to accrue benefits under that plan. The second item is an increase in the age at which pension payments from a pension plan and transfer of funds from an RRSP need to be made, from 69 to 71.

In the fall of 2006, the federal government announced a new national program called the Targeted Initiative for Older Workers (TIOW). Actions under this initiative are directed at older workers in vulnerable communities<sup>86</sup> who have lost their jobs. As well, in early 2007, the federal government announced the appointment of an expert panel to study labour market conditions affecting older workers and to identify potential measures to help older workers.

These initiatives follow the Older Worker Pilot Project Initiative (OWPPI), a federal-provincial/territorial initiative launched in 1999 to pilot innovative approaches to re-integrate unemployed older workers



into the workforce or help older workers threatened with unemployment maintain employment.

Evaluations of the provincial pilots indicate:

- Projects that combine approaches for assisting unemployed mature workers were most successful.
- Approaches that did not include employment assistance or marketing to workers had very low success.
- Younger participants and those with higher education levels experienced less difficulty re-entering the workforce.
- Retention approaches across a sector may be more effective than those directed at specific employers and workers only.
- Training for older workers is best if it is hands on, relevant and practical.
- Partnerships at the community level enhance project success.<sup>87</sup>

<sup>83</sup> During this period employment growth was high, coupled with an insufficient supply of workers.

<sup>84</sup> AARP Public Policy Institute, *Rethinking the Role of Mature Workers: Promoting Mature Worker Employment in Europe and Japan*, 2005.

<sup>85</sup> Standing Senate Committee on Banking, Trade and Commerce, *The Demographic Time Bomb: Mitigating the Effects of Demographic Change in Canada*, June 2006.

<sup>86</sup> Vulnerable communities are typically places with high unemployment. The provinces and territories will have the flexibility to identify vulnerable communities eligible for programming.

<sup>87</sup> A further listing of lessons learned can be found in both the executive summary and final section of Human Resources and Skills Development Canada, *Impact and Lessons Learned from the Older Workers Pilot Project Initiative (OWPPI): An Overview Report of Evaluations Conducted by Participating Provinces and Territories*, December 2005.

### 5.3.2 Provincial Initiatives

Several provinces have introduced various initiatives to examine and respond to issues associated with their aging populations. In Alberta, the Steering Committee for the Government-Wide Study on the Impact of the Aging Population released a report in June 2000 entitled, *Alberta for All Ages: Directions for the Future*.

The report suggested action in areas that are still relevant today, including:

- The flexibility of pensions;
- The availability of flexible employment policies for older workers;
- Training; and
- Public understanding of the contributions and abilities of seniors.

The Premier's Council on Aging and Seniors' Issues in British Columbia released a report in fall 2006 that put forward a number of recommendations aimed at increasing the participation of seniors in the workforce. The report, *Aging Well in British Columbia*, recommended:

- The B.C. Government take a leadership role in supporting and promoting increased workplace flexibility for older people by:
  - Implementing changes in its own workplaces to remove incentives for retiring early, and increase options for phased retirement, part-time work and job sharing.
  - Encouraging other employers to act similarly, starting with bringing employers and employees together for a Premier's forum on workplace flexibility for older workers.
  - Actively promoting the modification of pension rules (public- and employer-sponsored) to allow workers to choose among retirement with full pension benefits at 65, or part-time work while receiving a pro-rated pension, or continued full-time work while contributing toward an enhanced pension when they do retire.

- Lobbying the federal government to revise Registered Retirement Savings Plan (RRSP) and Registered Retirement Income Fund (RRIF) rules to enable people to work later in life and continue to save for retirement.

Several provinces have also taken steps to offer protection against age discrimination in employment. Such protection is in place to varying degrees across the country.

Most recently, Ontario enacted legislation in 2006 to abolish mandatory retirement, including contractual mandatory retirement. Contractual mandatory retirement is also explicitly prohibited under legislation in Manitoba and Quebec. In New Brunswick, the Human Rights Commission has recommended an end to the exception in the New Brunswick *Human Rights Act* which allows contractual mandatory retirement in certain circumstances.<sup>88</sup>

Many labour groups are critical of attempts to prohibit mandatory retirement in collective agreements.<sup>89</sup> Their concern is that eliminating mandatory retirement could be followed by changes in pension eligibility (e.g. increasing age eligibility requirements) and the erosion of their members' pension benefits.<sup>90</sup>



<sup>88</sup> New Brunswick Human Rights Commission, *Position Paper on Human Rights Renewed in the Province of New Brunswick*, February 2004.

<sup>89</sup> Population Studies Centre, University of Western Ontario, *Pushing the Future of Mandatory Retirement in Canada*, (Discussion Paper no. 04-05), May 2004.

<sup>90</sup> Ontario Federation of Labour, *The Right to Retire: Response by the Ontario Federation of Labour to the Ministry of Labour's Consultation Paper Concerning Mandatory Retirement*, September 2004.



Along with prohibiting contractual mandatory retirement, Quebec also uses its pension framework as a lever to encourage increased labour force engagement of mature workers. The Quebec Pension Plan (QPP) offers two options for mature workers wanting to phase in their retirement:

- *Option 1:* Workers between 60 and 65 may request early retirement when they agree with their employer to reduce their salary by at least 20 per cent. As with the CPP, the amount of the pension is reduced by 0.5 per cent for each month under the age of 65. Workers choosing this option continue to contribute to the QPP, but contributions are based on the reduced salary received.
- *Option 2:* Workers between the ages of 55 and 70 may reduce the hours they work while continuing to contribute to the QPP as if they were working full-time. Under this option, workers and their employers continue to contribute to the QPP as if the employee's salary had not been reduced.

Quebec's pension legislation also obliges employer pension plans to provide phased retirement programs. Changes to *Income Tax Act* regulations that will come into effect next year will support the implementation of these types of programs.

Quebec also encourages increased pension plan coverage, particularly among small businesses, by allowing for "simplified pension plans". These are defined contribution plans managed by financial institutions, reducing the administrative duties and fees that can be associated with traditional pension plans.

## 5.4 Implications for the Governments of Alberta and British Columbia

### 5.4.1 Information

The aging workforce, and the initiatives taken to address it, will lead to broad social change. Increased involvement in work on the part of older individuals can be expected to affect work and family dynamics, lifetime learning patterns, and how individuals invest throughout their lives. Individuals, employers, industry and labour associations need to be informed of workforce aging issues and the initiatives being taken to address the issues. For example, even if phased retirement options are allowed under legislation, unless mature workers are properly informed of these options, many will not take full advantage of them.

The importance of individuals having access to good information about different work and pension options throughout their careers will increase. People need to be aware of the level of financial support offered by the public pension system and the need for workers to financially prepare for their own retirement.

While there is growing awareness among employers and industry associations that the workforce is aging, many employers are still not well informed about the impacts that the demographic changes will have and the opportunities mature workers present for them. Employers, too, will need information about any changes in legislative frameworks relating to mature workers, and access to resources to help in applying workforce planning approaches.

### 5.4.2 Pension and Legislative Changes

The design of pension programs and legislation can have a profound influence on the work decisions of older individuals and the steps employers are able to take to

attract and retain mature workers. Some pension and legislative changes might be required to reflect shifts in worker perceptions about retirement and to reduce constraints on employers' abilities to respond to the work preferences of mature workers.

Provincial governments can encourage changes in federal legislation and pension design to allow for increased flexible working arrangements and phased retirement. For example:

- Encouraging the federal government to remove the requirement that individuals must stop or substantially reduce their involvement in work to be eligible to start receiving CPP benefits before age 65;
- Encouraging amendments to the *Income Tax Act* regulations to remove the requirement that pension benefits be paid in equal periodic payments.

Initiatives targeted at encouraging work past age 65 or the normal age of retirement under private pension plans could include:

- Encouraging changes to the CPP to allow workers to accumulate pension credits on employment earnings after they reach 65;
- Encouraging an increase in the upward adjustment of benefits under the CPP for those who defer receiving their pension after 65 and under private pensions for those who postpone receiving benefits past a plan's normal retirement age;
- Encouraging options for deferring receipt of OAS past 65;
- Encouraging increases in the earnings exemptions for GIS recipients (e.g., reducing the GIS "claw-back"); and
- Reducing tax rates on earned income or providing tax credits for mature workers over 65.

Raising the age of eligibility for public pensions such as Old Age Security and the Canada Pension Plan would have a negative impact on lower income individuals who rely on these programs for retirement income, including early retirement due to ill health. In proposing changes to Canada's public pension system, it is important to ensure lower income households are not unfairly affected as a result of their heavier reliance on the public pension system compared to middle- and higher-income households.

Another area where legislative changes could be considered is with human rights legislation. B.C. is in the process of changing its legislation this spring to provide



protection against age discrimination in employment beyond age 65. Alberta's legislation already provides this protection. Both provinces could go further by explicitly not allowing contractual mandatory retirement.

### 5.4.3 Enhancing the Employability of Mature Workers

It will become increasingly important for mature workers to have opportunities to keep their knowledge and skills up to date so that they can continue to be valuable and productive employees. Financial incentives for individuals and employers—such as grants or tax credits—are options for discussion to encourage increased participation in skills upgrading. Assistance could also be provided to help employers to accommodate mature workers with physical limitations at workplaces.

Unemployed mature workers might require special supports to help them to reintegrate into the workforce, as they tend to experience greater difficulty in this regard than younger workers. For example, some mature workers might benefit from opportunities to become familiar with internet-based job search techniques. Additional approaches could include establishing special employment centres, holding workshops, providing networking opportunities, and supporting self-help groups geared specifically for mature job seekers.

## 6. Next Steps



The aging of Alberta's and British Columbia's populations will have a profound impact on many economic and social institutions. With the first wave of baby boomers who turned 60 in 2006, this has already begun.

To achieve potential future economic growth over the next two decades, the labour markets of Alberta and B.C. will need to respond to the aging workforce and the anticipated shortfall in new workers to replace older workers as they leave the labour market. Increasing the contribution of mature workers is an important part of a balanced labour force development strategy.

Many government and employer policies are based on the traditional concept of retirement as the cessation of all work. However, retirement is increasingly being seen not as a sudden departure from the workforce, but as a career and lifestyle transition that may extend over a number of years. Many mature workers are looking for continued opportunities to participate in work on their own terms for a variety of different reasons. If governments, employers and labour wish to encourage increased labour force participation of mature workers, then fundamental changes need to be made to practices and policies to respond to changing demographics and to the needs and desires of mature workers.

The idea of giving people a wider range of choices sounds positive. However considerable discussion and research will be needed to understand all the social and economic impacts of an aging workforce and changes to the amount of time individuals spend at work over the course of their lifetime. Policy changes in areas of pensions, employment and retirement can have huge implications in unexpected areas. There is a need to ensure that not only can individuals remain in the workforce for longer periods of time, but also that those needing earlier retirement still have the choice and protection they need. A piecemeal approach to planning will not work—all stakeholders need to be involved.

It is workers themselves who have begun to change the definition of retirement. In response, changes to policies and practices to accommodate increased numbers of older workers in the workforce have already been initiated. This document looks at where we are at now: it provides an overview of mature workers in Alberta and British Columbia, and identifies a number of approaches taken by various stakeholders to respond to the labour market challenges of an aging workforce.

We now need to look to the future, and to respond to the question of how government, employers and labour organizations can best prepare to meet the needs of mature workers in order to maximize social and economic growth.







# Appendix A

## Country-Specific Initiatives to Address an Aging Workforce

The literature on aging workforces throughout the world and the initiatives being proposed and actually pursued is extensive and evolving quickly. An attempt has been made to identify some of the key directions being taken. The information presented here on country-specific initiatives is not exhaustive in terms of the countries launching initiatives to increase the engagement of mature workers. Furthermore it is possible that some of these countries are pursuing additional initiatives.

### Australia<sup>91</sup>

Introduced a Mature Age Employment and Workplace Strategy to provide \$12.1 million over four years to programs aimed at increasing workforce participation by mature workers. Three major components include:

- Jobwise Outreach – includes workshops, networking opportunities, and self-help groups for mature age job seekers and workers to allow them to learn more about the nature of the labour market, effective job search strategies, and to share their experiences and provide mutual support.
- Mature Age Workplace Strategy – is aimed at employers and consists of workshops to raise awareness of demographic challenges to the workforce, a comprehensive guide for employing people over 45, and a website promoting the employment of mature workers.
- Mature Age Industry Strategy – provides support for cooperative industry initiatives to improve attraction and retention of mature workers.

### Belgium<sup>92</sup>

Introduced an income-supported time credit scheme for mature workers to reduce their working time without losing the right to build up pensions.

### Finland<sup>93</sup>

Introduced the Finnish National Programme on Ageing Workers (FINPAW) from 1998 to 2002, which is considered one of the more comprehensive and integrated older worker programs in the world. Its objectives were to expand employment opportunities for mature persons (45-64 years of age), reduce premature retirement, and increase the effective retirement age. It was a collaboration among government, business and labour that included over 40 measures or programs, including:

- Educational campaigns, training, and research and development;
- Increasing the early retirement age;
- Making pension entitlement based on a full working career or on life-time earnings rather than on the final 10 years; and,
- Tying pension benefit calculations to changes in life expectancy.

During the years of the program, labour force participation rates for mature workers increased by 10 per cent and employment rates by 12 per cent.

### Germany<sup>94</sup>

In Germany, workers aged 55 and over can halve their working hours in return for a partial pension. Another measure is offering work time credits that can be used later for time off for things like training.

### Japan<sup>95</sup>

Initiatives in Japan include:

- Providing phased-in increases in the age of eligibility for pension benefits;
- Decreased pension benefits for persons born after April 1, 1941;

91 Australian Government, *Home Age Employment Strategy*, <http://www.pensions.gov.au/Employment/Information/MJAWStrategy.htm>.

92 1999, Research Institute, Government of Canada, *Employment Outlook: Labour Market Trends*, October 2009.

93 ILO, *Public Policy Initiatives: Working for all in Mature Economies*, *Working Across Borders: Employment in Europe and Japan*, 2001.

94 Peter Russell Institute, *Government of Canada: Promoting Older Job and Retirement Issues Report*, October 2009.

95 ILO, *Public Policy Initiatives: Working for all in Mature Economies*, *Working Across Borders: Employment in Europe and Japan*, 2001 and United States, *Central American Policy: MAW: Older Workers*, *Employment and Income Support Policy: Labour Force Employment*, February 2001.

- Government financial incentives for employers to retain or hire mature workers;
- Government support for the Association of Employment Development for Senior Citizens to encourage the development of strategies to help employers attract and retain mature workers; and
- Establishing employment centres for mature workers, called "Silver Human Resource Centers."

#### Netherlands<sup>96</sup>

Steps taken include:

- Employers who dismiss older workers are required to pay part of their unemployment benefit;
- Introducing a "life course" regulation to make it easier for workers to take career breaks and thus better combine work and family responsibilities;
- Providing tax credits to older workers who continue to work;
- Providing employers with tax incentives for training mature workers;
- Exempting employers from paying disability insurance for new workers they hire aged 55 and over; and
- Offering employees work time credits that can be used later for time off for things like training.

#### Sweden<sup>97</sup>

Many of Sweden's initiatives to encourage increased participation of mature workers in the labour force have been focused on pension reforms, and include:

- Allowing workers to combine pensions and earnings beginning at age 61;
- Replacing the earnings-related portion of the national pension system with a defined contribution scheme;
- Indexing pensions to life expectancy;
- Increasing the downward adjustment in pension entitlement if workers retire at age 61; and
- Raising the age at which workers become eligible for full pension benefits, in line with projections of future life expectancy.

Other aspects of Sweden's policy framework that support increased work involvement from all workers (not only those who are older), include:

- Emphasizing lifelong learning; and
- Offering an extensive system of family-friendly benefits to make it easier for workers throughout their careers to combine work and family responsibilities.

#### United Kingdom<sup>98</sup>

The U.K.'s "work-life balance campaign" was launched in 2000. The campaign's objective is to encourage employers to introduce flexible working practices to enable employees of all ages to achieve a better balance between their work and personal lives while at the same time enhancing productivity by lowering absenteeism and staff turnover rates. Components of the campaign include:

- Setting up Employers for Work-Life Balance, an independent alliance of 22 leading employers committed to working in partnership with government to promote good practices on work-life balance issues;
- Establishing a "challenge fund" to help employers explore how work-life balance policies can benefit their organizations;
- Developing and distributing information and advice materials, including a special website;
- Ensuring that government sets a good example as an employer; and
- Conducting research, including a baseline study.

Other U.K. initiatives include:

- An Age Positive campaign aimed at tackling age discrimination and promoting the benefits of a mixed-age workforce;
- Adjusting the benefit calculation formula to increase the reward for those who defer drawing benefits from the national pension system; and
- Permitting individuals to opt out of part of the national pension plan by participating in either an employer-sponsored defined contribution plan or a personal defined contribution pension plan.

<sup>96</sup> Policy Research Initiative, Government of Canada, *Overcoming Obstacles to Work and Economic Prosperity Report*, October 2005 and AARP Public Policy Institute, *Retaining the Role of Mature Workers: Promoting Mature Worker Employment in Europe and Japan*, 2005.

<sup>97</sup> AARP Public Policy Institute, *Retaining the Role of Mature Workers: Promoting Mature Worker Employment in Europe and Japan*, 2005; and United States General Accounting Office (U.S. GAO), *Older Workers: Policies of Older Workers Incentive Bonus Foster Labor Force Participation*, February 2003.

<sup>98</sup> United States General Accounting Office (U.S. GAO), *Older Workers: Policies of Older Workers Incentive Bonus Foster Labor Force Participation*, February 2003, and Department for Work and Pensions, *Age Positive*.

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## Notes



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